DEFENSE PRODUCTION BORROWING AUTHORITY

HEARING

BEFORE THE

COMMITTEE ON BANKING AND CURRENCY
UNITED STATES SENATE

EIGHTY-FIFTH CONGRESS

SECOND SESSION

ON

S. 4162

A BILL TO FURTHER AMEND THE DEFENSE PRODUCTION ACT OF 1950, AS AMENDED

JULY 28, 1958

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DEFENSE PRODUCTION BORROWING AUTHORITY

MONDAY, JULY 28, 1958

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met, pursuant to call, at 10:45 a. m., in room 318, Senate Office Building, Senator Joseph S. Clark presiding.

Present: Senators Clark, Proxmire, Capehart, and Case.

Senator CLARK. The committee will be in session.

I should like to read into the record a preliminary statement on behalf of Chairman Fulbright, who, unfortunately, could not be here.

We are meeting this morning to consider S. 4162. This bill would amend section 304 of the Defense Production Act, which authorizes borrowing from the Treasury for the purpose of increasing productive capacity and supply in the interest of the national defense.

(S. 4162 follows:)

[S. 4162, 85th Cong., 2d sess.]

A BILL To further amend the Defense Production Act of 1950, as amended

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 304 of the Defense Production Act of 1950, as amended, is hereby amended by adding at the end thereof the following new subsection:

"(c) All losses sustained, and all nonrecoverable expenses incurred, prior to July 1, 1958, by departments, agencies, officials, and corporations of the Government in carrying out functions under sections 302 and 303 of this Act through the use of funds borrowed from the Treasury of the United States pursuant to this section shall, with the approval of the Director of the Bureau of the Budget, be written off by such departments, agencies, officials, and corporations, and the notes, debentures, bonds, or other obligations issued to the Secretary of the Treasury shall be canceled to the extent of the respective amounts so written off."

Senator CLARK. On June 12 last, the committee was told by Mr. Gordon Gray, then the Director of ODM, when he was testifying on the extension of the Defense Production Act, that an amendment of this nature would soon be necessary. However, Mr. Gray was not then able to make a specific recommendation. A straight extension of the Defense Production Act was passed by the Congress and signed by the President on June 28.

Mr. Gray wrote the Congress on June 25, requesting this amendment and suggesting specific language, which is before us in S. 4162, which was introduced by the chairman of this committee, by request. Mr. Gray's letter will be made part of the record of this hearing.

(The letter referred to follows:)

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF DEFENSE MOBILIZATION,
OFFICE OF THE DIRECTOR,
Washington, D. C., June 25, 1958.

HON. RICHARD M. NIXON,
President of the Senate,
Washington, D. C.

DEAR MR. PRESIDENT: By letter of February 10, 1958, I forwarded to you for the consideration of the Congress a draft bill to amend the Defense Production Act of 1950, as amended, by extending the expiration date for a period of 2 years.

Since that time, it has become apparent there is also a need for a substantive change in the language in section 304 of the act. Accordingly, it is requested that the enclosed draft legislation be presented to the Congress for consideration during this session.

Section 304 of the Defense Production Act of 1950, as amended, provides that the lending and contracting functions under sections 302 and 303 of the act may be financed by funds borrowed from the Treasury of the United States. The amounts borrowed for these purposes may not exceed $2.1 billion outstanding at any one time. The section further provides that contingent liabilities resulting from any such loans or contracts shall be considered as an obligation of the United States only to the extent of the probable ultimate net cost of such transactions. All amounts borrowed from the Treasury for these purposes bear interest at a rate determined by the Secretary of the Treasury.

The contracts which were entered into under section 303 of the act generally were either for the outright purchase of strategic and critical materials or commitments to purchase such materials in the event that they could not be sold by the producer in normal commercial channels. In the latter case, estimates of the Government's contingent liability were made on a case-by-case basis.

As a result of the current slowdown in economic activity, the Government has been obligated to purchase very substantial amounts of metals, minerals, and other materials which it cannot resell at this time because such sales would create major market fears and uncertainties. No contingent obligation was estimated for the contracts for many of these materials because it was anticipated that the material would be sold in normal commercial channels. As a consequence, current estimates indicate that the probable ultimate net cost of all transactions to be financed by borrowings under section 304 of the act will exceed the allowable borrowings authorized by the act. It is, therefore, necessary to request changes in section 304 to provide for the unanticipated costs which have materialized.

The attached draft legislation would, if enacted, restore a balance and provide for today's estimates by authorizing the writeoff of about $300 million of actual losses incurred as of the end of this fiscal year, without reducing the borrowing authority.

Sincerely yours,

GORDON GRAY, *Director.*

A BILL To further amend the Defense Production Act of 1950, as amended

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 304 of the Defense Production Act of 1950, as amended, is hereby amended by adding at the end thereof the following new subsection:

"(c) All losses sustained, and all nonrecoverable expenses incurred, prior to July 1, 1958, by departments, agencies, officials, and corporations of the Government in carrying out functions under sections 302 and 303 of this Act through the use of funds borrowed from the Treasury of the United States pursuant to this section shall, with the approval of the Director of the Bureau of the Budget, be written off by such departments, agencies, officials, and corporations, and the notes, debentures, bonds, or other obligations issued to the Secretary of the Treasury shall be canceled to the extent of the respective amounts so written off."

Senator CLARK. The original Defense Production Act of 1950 authorized borrowing $600 million from the Treasury, and authorized appropriations up to $1.4 billion, for the purpose of expanding productive capacity and supply.

The Third Supplemental Appropriation Act, 1951, increased this borrowing authority from $600 million to $1.6 billion. The House Committee on Appropriations, in its report recommending this increase in the borrowing authority, indicated that the maximum possible liability of the Government under this provision might substantially exceed the $3 billion total of authorization.

The Defense Production Act Amendments of 1951 increased the borrowing authority again, up to the present $2.1 billion maximum; they provided that, when contracts under this provision imposed contingent liability, only the probable ultimate net cost to the Government need be considered, and they eliminated the authorization for appropriations which had previously been included in the act.

S. 4162 would write off all losses sustained and all nonrecoverable expenses incurred prior to July 1, 1958, in carrying out functions under sections 302 and 303 of the act with borrowed funds. We have been informed that the amount involved would be about $300 million.

We have asked for comments from the interested agencies, and their replies will be included in the record.

(The documents referred to follow:)

TREASURY DEPARTMENT,
Washington, D. C., July 25, 1958.

Hon. J. W. FULBRIGHT,
Chairman, Committee on Banking and Currency,
United States Senate, Washington, D. C.

MY DEAR MR. CHAIRMAN: Reference is made to your letter of July 23, 1958, requesting the views of this Department on S. 4162, to further amend the Defense Production Act of 1950, as amended.

The bill would permit the writeoff of losses sustained and nonrecoverable expenses incurred prior to July 1, 1958, under sections 302 and 303 of the Defense Production Act, and the cancellation of obligations issued to the Secretary of the Treasury to the extent of such writeoffs.

The Department would have no objection to the enactment of the proposed legislation.

The Department has been advised by the Bureau of the Budget that there would be no objection to the submission of this report to your committee.

Very truly yours,

FRED C. SCRIBNER, Jr.,
Acting Secretary of the Treasury.

DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D. C., July 28, 1958.

Hon. J. W. FULBRIGHT,
Chairman, Committee on Banking and Currency,
United States Senate, Washington, D. C.

DEAR SENATOR FULBRIGHT: Your committee has requested a report of the views of this Department on S. 4162, a bill to further amend the Defense Production Act of 1950, as amended.

We would have no objection to the enactment of S. 4162.

The bill would permit the writing off of all losses sustained and nonrecoverable expenses incurred prior to July 1, 1958, in carrying out functions under sections 302 and 303 of the Defense Production Act of 1950, as amended.

This Department did avail itself of the borrowing authority of the act in financing the Defense Minerals Exploration Administration programs. The Secretary has issued notes to the Treasury on which interest is being paid from borrowing authority funds. The enactment of this bill would enable the writing off of these notes and accrued interest after June 30, 1958.

The Bureau of the Budget has advised that there is no objection to the submission of this report to your committee.

Sincerely yours,

ROGER ERNST,
Assistant Secretary of the Interior.

DEPARTMENT OF AGRICULTURE,
Washington, D. C., July 29, 1958.

Hon. J. W. FULBRIGHT,
Chairman, Committee on Banking and Currency,
United States Senate.

DEAR SENATOR FULBRIGHT: This is in reply to Mr. Hale's request of July 29, 1958, for a report on S. 4162, a bill to further amend the Defense Production Act of 1950, as amended.

The bill provides that all losses sustained and all nonrecoverable expenses incurred prior to July 1, 1958, by departments and agencies carrying out Government contracts for the procurement of materials or performance of services under the Defense Production Act through uses of funds borrowed from the Treasury, with the approval of the Director of the Bureau of the Budget, be written off by the agencies, and the notes issued to the Secretary of the Treasury shall be canceled to the extent of the amounts written off.

This Department favors the bill as a simplified and conclusive disposition of the financing activities arising out of the participation of this Department in the programs authorized under the act.

The Bureau of the Budget advises that there is no objection to the submission of this report.

Sincerely yours,

MARVIN L. MCLAIN, *Acting Secretary.*

GENERAL SERVICES ADMINISTRATION,
July 25, 1958.

Hon. J. W. FULBRIGHT,
Chairman, Committee on Banking and Currency,
United States Senate, Washington, D. C.

DEAR MR. CHAIRMAN: In accordance with your request of July 23, we are submitting our views on S. 4162. The bill would amend section 304 of the Defense Production Act by authorizing the writeoff of all losses sustained prior to July 1, 1958, by various agencies in carrying out the functions of sections 302 and 303 of the act.

We strongly recommend enactment of the legislation. Continued interest payments to the Treasury on losses already incurred will be eliminated by the cancellation of the notes. Furthermore, the legislation is urgently needed in order that the financing of the expansion programs already undertaken under the act will be adequately covered for the fiscal year 1959.

The Bureau of the Budget has advised that there is no objection to the submission of this report to your committee.

Sincerely yours,

FRANKLIN FLOETE, *Administrator.*

Senator CLARK. I understand that, unless the provisions of the Defense Production Act relating to the borrowing authority are amended, the operations of the agencies carrying out these functions may be hindered, for two reasons.

First, I have been informed that the actual amounts which it will be necessary, under the terms of contracts already in force, to draw down from the Treasury under the borrowing authority will soon exceed the $2.1 billion maximum. This may not happen until next fiscal year, or it may come this year, depending on business conditions and international affairs. But there seems to be no doubt that this will soon be necessary, and at that time the Government will have no alternative except to honor these contracts.

Second, I have been informed that the estimates of the probable ultimate net costs of the programs may have to be increased substantially, in the light of changing economic conditions and the reduced requirements of the national stockpile. This may, I gather, increase the probable ultimate net costs of the contracts already in force to more than the $2.1 billion maximum.

In view of these circumstances, the agencies may well hesitate to enter into any new contracts, even for the few materials where the minimum stockpile has not yet been filled, or they may hesitate to enter into new contracts which may be desirable in connection with new programs.

A month ago we extended the Defense Production Act for 2 years. We intended then, I think, to give a full and effective extension for the 2-year period, even though we did not expect extensive use of the powers unless conditions should change for the worse.

In the light of the information which has been furnished, it seems that the extension may not have been fully effective. Accordingly, this hearing has been called to give the Office of Defense and Civilian Mobilization and the General Services Administration an opportunity to explain fully just what the situation is now and why they consider it necessary to amend the present authority.

Our first witness is Hon. John S. Patterson, Deputy Director of ODCM. Mr. Patterson, I believe Mr. Kendall and Mr. Hughes are with you. Will you please proceed in your own way.

STATEMENT OF JOHN S. PATTERSON, DEPUTY DIRECTOR; ACCOMPANIED BY CHARLES H. KENDALL, GENERAL COUNSEL; AND RUSSELL H. HUGHES, PRODUCTION DIVISION, OFFICE OF DEFENSE AND CIVILIAN MOBILIZATION

Mr. PATTERSON. Mr. Chairman, I believe that the statement that you have just read highlights in a very crystal-clear fashion our problem in relation to this matter that we are here on today. I have a brief statement, and with your permission I would like to read it.

Senator CLARK. Please do.

Mr. PATTERSON. Mr. Chairman and members of the committee, Governor Hoegh, Director of the Office of Defense and Civilian Mobilization, who is absent from the city on official business, regrets that he is not able to be with you today to speak on the importance of S. 4162. I appreciate the opportunity to appear in his place in support of this bill which would amend the Defense Production Act by adding a new subsection 304 (c) authorizing the writeoff of losses and nonrecoverable expenses incurred prior to July 1, 1958, under sections 302 and 303 of the act.

The members of the committee will remember that when Mr. Gordon Gray, then Director of the Office of Defense Mobilization, appeared in support of the 2-year extension of the Defense Production Act, at a hearing before this committee on June 12, 1958, he described in some detail the purpose and operation of the borrowing authority of section 304 and explained that a series of relatively recent developments were threatening to exhaust the funds made available under the act. He pointed out—and this is an important observation—that the language of the act clearly contemplated congressional action at some time to refinance or discharge accumulated losses under the borrowing program. He advised the committee that the time had come for some action on this score but he was unable at that time to recommend a specific measure.

The bill before the committee represents the recommended action arrived at in the executive branch after careful consideration of the

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current situation. It would authorize the Secretary of the Treasury to cancel approximately $300 million worth of notes issued to him by the agencies using the borrowing authority, which notes represent various net costs such as resale of materials at a loss, research and experimentation in metallurgical processes, expenses of administration and the payment of interest to the Treasury.

I know that the committee is particularly interested in a discussion of the need for action of this type at this time, as distinguished from a year ago or a year hence. Details concerning payments made, obligations outstanding, and the probability of deliveries under contingent contracts are contained in the reports prepared by the General Services Administration and which have been furnished the committee from time to time. The Administrator of General Services and members of his staff will be able to provide such additional detail as the committee may wish. I should like to confine myself to a general statement of the problem presented by the figures.

The borrowing authority has proved itself in the past and remains today a very valuable tool in accomplishing the expansion of production of materials needed for our national defense. The virtues of continuous availability, long-term obligation, and flexibility of use have contributed substantially to our preparedness for defense production. In this period of rapidly changing weapons technology it is very important that we be in a position to move quickly in the development or increased production of special-purpose materials such as propellents and high-temperature alloys. Because of the job that has already been done, it is not to be expected that the next few months or years will see the need for greatly increasing the capacity of basic industries such as steel, power, or transportation, but the importance of preparedness to double or triple the production of a rare chemical may be very great indeed a month or a year from now.

As the committee knows, our very substantial contingent commitments to producers of aluminum, nickel, copper and other materials have been relied upon in recent months by the contractors to compensate in part for a general decrease in economic activity. A continuation of these calls upon the Government will bring us to the limit of the borrowing authority during the next calendar year and any substantial increase in the calls could exhaust the availability at an earlier time.

It is obvious that the Government must not be in a position of dishonoring its commitments. What is nearly as important, and considerably more pressing, is the fact that new commitments cannot properly be made in the face of the early threat of depletion.

In order that the authority of the Defense Production Act to make commitments in the interest of national defense may continue available, I respectfully urge that you report this bill favorably and recommend its passage by the Senate.

Thank you very much.

Senator CLARK. Senator Capehart?

Senator CAPEHART. Do we understand that, if we write off the $300 million, this would give you $300 million additional borrowing capacity from the Treasury?

Mr. PATTERSON. That is correct, Senator. I think the figures that the General Services Administration present will increase it by $300 million. I would have to refer to the technicians here.

Senator CAPEHART. You are not asking then for any new authority to spend money?

Mr. PATTERSON. No new authority to spend money, that is correct.

Senator CAPEHART. There is nothing in this bill that does anything other than permit you to charge off the $300 million?

Mr. PATTERSON. That is correct, Senator.

Senator CLARK. If I could interject, charging off the $300 million gives you $300 million more available for borrowing, does it not?

Mr. PATTERSON. That is correct, Senator.

Senator CLARK. So that in effect, if we pass this bill out, you will get $300 million of borrowing authority which you do not presently have?

Mr. PATTERSON. That is correct.

Senator CAPEHART. He just said that. That was my first question. I asked if this gave them an additional $300 million of borrowing capacity, and they said it did.

What is this $62,589,000 loss you show here for the Department of Agriculture? What items is that a loss on?

Mr. PATTERSON. Senator, I would request you call on Mr. Floete, the Administrator of GSA.

Senator CAPEHART. You think GSA can answer all the questions about the specific losses better than you gentlemen?

Mr. PATTERSON. That is correct, sir.

Senator CAPEHART. I do not think I have any more questions.

Senator CLARK. Senator Case?

Senator CASE. I have no questions.

Senator CLARK. I have some questions here which the staff has suggested, with the thought that the answers would be helfpul in completing our record.

First, Mr. Patterson, I understand that the policy applied to the national stockpile under the Strategic and Critical Materials Stockpile Act has recently been revised so as to reduce the quantities needed. Could you tell us when this was done and just what the change was?

Mr. KENDALL. Could I speak on that issue, Senator Clark?

Senator CLARK. Yes, indeed.

Mr. KENDALL. The stockpile used to be accumulated on the basis of a possible 5-year war. There has been, over the last year and a half, considerable criticism of the concept that a modern war with nuclear weapons would be likely to last as long as 5 years. Last winter we called into being a committee of distinguished citizens, who reviewed the whole problem and came up with a recommendation that the stockpile be based on a 3-year war. That recommendation was accepted, effective June 30, by Mr. Gordon Gray, who was then the Director of ODM. The effect of this, of course, is to reduce the goals, so that a great deal of the material which was purchased under the Defense Production Act in order to expand capacity, and which we expected would be transferred to the national stockpile, which would have the effect of reimbursing this borrowing authority, is not needed in the national stockpile under the new concept. This contributes to the stringency of our financial picture.

Senator CLARK. Does it not also mean that you do not need as much increase in borrowing capacity as you otherwise would?

Mr. KENDALL. As Mr. Patterson has pointed out, there is, so far as we can tell, in the next few months or years no need for expansion

in what we would conceive of as basic industries—steel, copper, aluminum, power, and so on, but there are continuing special requirements for things like exotic fuels, and high-temperature alloys. These things come up quickly and need quick handling. It is to be in a position to do something about them that we ask that this authority not be allowed to go out of commission.

Senator CLARK. I understand. I think that is quite wise, but nevertheless it is true that if you are stockpiling for 3 years instead of 5 you do not need as much money, do you?

Mr. KENDALL. That is correct. The stockpile appropriation this year requested was, I believe, $18 million for new procurement. Not more than 3 years ago we were requesting $500 million. But since the reduced stockpile will take and pay for less of the materials being acquired under the Defense Production Act, the demand on the borrowing authority is increased while the demand on the stockpile appropriations is decreased.

Senator CLARK. Does this policy change of June 30 reflect the recommendations in the report submitted to ODM on January 28, 1958, by the Pettibone Committee?

Mr. KENDALL. That is correct, Senator.

Senator CLARK. In 1953, section 303 of the Defense Production Act was amended by authorizing the transfer of materials acquired under the Defense Production Act to the national stockpile, without reimbursement. This amendment authorized the cancellation of notes to the Treasury representing the cost of the materials so transferred. I believe this authority has never been used. Is that correct?

Mr. KENDALL. That is correct, sir.

Senator CLARK. If that authority were used, would it not at least stop the running of interest?

Mr. KENDALL. That is correct. It would do that.

SENATOR CLARK. Why do you not use it?

Mr. KENDALL. There are two difficulties with such a transfer. The first is that it would put into the stockpile more material than the objectives of the stockpile call for. We have tried, and the Munitions Board, which had management of the stockpile before us, tried to limit the national stockpile to materials which are basically essential to defense and to quantities that bore, so far as possible, a reasonable relationship to that requirement. This would run those figures very, very high.

Secondly, there is the difficulty that the cutoff of interest, which would happen, of course, would mean that the costs of the expansion program would no longer be reflected in the Defense Production Act figures. So long as we are paying interest on the sums invested in these materials, there is a picture for the accountants of what this costs. This is important to the Treasury Department, they advise.

Senator CLARK. In other words, you think the present setup more accurately reflects the real financial stiuation?

Mr. KENDALL. And the costs of expansion, yes, sir. There is the final difficulty——

Senator CAPEHART. Who carries these so-called excess stockpile items?

Mr. KENDALL. The General Services Administration.

Senator CAPEHART. And what we have is two organizations carrying stockpiles; is that it?

Mr. KENDALL. The GSA also handles the national stockpile.

Senator CAPEHART. I see, GSA has two sets of books; is that it?

Mr. KENDALL. That is correct.

Senator CAPEHART. Why do they have two sets?

Mr. KENDALL. There is a third set of books.

Senator CAPEHART. What is that?

Mr. KENDALL. The supplemental stockpile that arises out of barter of agricultural materials for strategic and critical materials.

Senator CAPEHART. Why is it not better procedure to have it all in one?

Mr. KENDALL. That brings me to the third point I was going to mention in transferring these things to the stockpile. It is the matter of limitations on the disposition of the material, the resale of the material into the economy. The National Stockpile Act itself, puts very stringent limitations on resale of material. We are required to give 6 months' notice to the Congress if a material is no longer useful for war and we wish to sell it. If, for any other reason, we wish to sell it, we must get the consent of the Congress.

Senator CAPEHART. Will you yield right there?

Mr. KENDALL. Yes, sir.

Senator CAPEHART. What items does GSA have on hand that have not been transferred to the national stockpile, and which GSA could sell without the consent of Congress?

Mr. KENDALL. Defense Production Act inventories, the ones we are talking about today. They include things like copper, aluminum. We are getting very large quantities of aluminum now.

Senator CAPEHART. Over and beyond the national stockpile requirements?

Mr. KENDALL. Yes, sir; most of it, but not all of it. There is a little story here, if you wish me to go into it. It contributes, also, to our financial difficulty. Two years ago, the House Appropriations Committee cut out those portions of the stockpile appropriation request the purpose of which was to reimburse the Defense Production Act borrowing authority and take over the material. This lack of funds, of course, has contributed to our present situation.

Senator CAPEHART. Where is all the aluminum going that you have been purchasing?

Mr. KENDALL. Going into stockpile. It is not being used. It is in storage.

Senator CAPEHART. That is going into stockpile, subject to the consent of the Congress as to whether it is sold or not?

Mr. KENDALL. Those things that go into the national stockpile become subject to consent of the Congress.

Senator CAPEHART. All this aluminum we have been purchasing recently?

Mr. KENDALL. No, sir. The DPA material could be resold, but the executive branch, in good conscience, cannot put it on the market today. This is our major difficulty—the soft metal market.

Senator CAPEHART. How much aluminum do you have on hand, in dollars and cents?

Mr. KENDALL. $220 million worth on March 31.

Senator CAPEHART. That is not in the stockpile?

Mr. KENDALL. No, sir.

Senator CAPEHART. As we consider the stockpile?

Mr. KENDALL. That is correct. It is not in the national stockpile.

Senator CAPEHART. That is handled by GSA?

Mr. KENDALL. That is right.

Senator CAPEHART. And they are not selling it?

Mr. KENDALL. Because of a policy determination that to put it on the current soft market would simply cause further economic difficulties.

Senator CAPEHART. In other words, it is being held?

Mr. KENDALL. That is right.

Senator CAPEHART. Is it being intermingled with the stockpile aluminum?

Mr. KENDALL. No, sir.

Senator CLARK. But you do not need it?

Mr. KENDALL. Now, no. I think we could say, of that quantity, virtually all of it is not necessary for defense.

Senator CAPEHART. You bought it because of contracts entered into 2 years ago, which forced you to do so; either that, or violate the contract that the Government made?

Mr. KENDALL. That is correct, sir. These are the result of expanding the aluminum industry by better than 100 percent during the Korean war. We undertook to buy very substantial quantities of aluminum so that they would build new plants. The industry has not only built those new plants, but another 600,000 tons capacity on top of that. So that we have, today, approximately 2,400,000 tons capacity of aluminum, as against 700,000 tons before the Korean episode.

Senator CAPEHART. This $300 million loss that you are asking us to charge off is a loss on what total amount of goods handled—$2 billion, $3 billion, $4 billion?

Mr. KENDALL. The total commitments, including the contingent commitments, most of which have not been realized, run about $7 billion, sir.

Senator CAPEHART. In other words, up to date you have had a loss of $300 million on approximately $7 billion worth of transactions?

Mr. KENDALL. That is incurred losses; yes, sir.

Senator CAPEHART. There may be others beyond this in the future?

Mr. KENDALL. That is right, sir. There may be others.

Senator CLARK. But your materials inventory at the moment is slightly in excess of $1 billion, is it not?

Mr. KENDALL. That is correct.

Senator CLARK. Of which $200 million is in aluminum.

Senator CAPEHART. That is a billion in addition to the regular stockpile?

Mr. KENDALL. That is right, sir.

Senator CLARK. Do you have the figures on the regular stockpile?

Mr. KENDALL. They approximate $6 billion.

Senator CLARK. To what extent does this relatively recent change in national stockpile policy reduce the amount which you expected would be taken by the national stockpile from the DPA inventory?

Mr. KENDALL. The figure is approximately $796 million.

Senator CLARK. The July-December 1957 stockpile report shows that, on December 31, 1957, procurement priority levels for 63 out of the 75 stockpiled materials had been attained and minimum objectives had been reached for 47 materials. A list of these materials appears on

pages 4 and 5 of that report. Could you tell us how many of the minimum objectives had been reached by June 30, 1958, and how many procurement priority levels had been reached by the same date?

Mr. KENDALL. I would like, if I may, to confirm this in the record, but my impression is that we have only 12 materials, which fits with this figure 63, upon which any further procurement would be justified. This suggests no change in the 6 months.

Senator CLARK. Mr. Patterson, much of the amount which it is proposed to write off will represent administrative expenses and interest paid to the Treasury. The sum also includes straight expenditure programs, like grants for mineral exploration or for research. Do you think it would make sense for any of these items to be covered in the future by appropriations, rather than by borrowing?

Mr. PATTERSON. Well, as I see it on the appropriation matter, under this act, it seems to me, from my knowledge of what we are striving for, it is for a matter of flexibility. Appropriations are another route to go through, but the flexibility in terms of having this when you need it has been one of the cardinal virtues, as I see it, under the Defense Production Act.

Senator CLARK. I think it would be helpful to have in the record a statement from you as to why this borrowing policy is preferable from your point of view as an executive agency.

Mr. PATTERSON. I should be only too glad, Senator, to supplement my remarks in this area.

Senator CLARK. I think it would be helpful to have that in the record.

(The following was received for the record:)

ADVANTAGES OF BORROWING AUTHORITY

The question raised by Senator Clark presents two quite different issues; to wit: First, whether it would be proper to seek appropriated funds for administrative expenses, and, second, whether the same procedure would be desirable for such expenditure programs as minerals research. The practice of using borrowing-authority funds for administrative costs is largely a matter of cost accounting. Because the fund is intended to finance expansion of capacity for defense production, and because administrative expense is an element of the cost of that expansion, it was determined that such expense would be charged against the fund. A change in this determination would do no great injury to the purposes of the fund. It would be possible to estimate, with reasonable accuracy, the administrative expense of the expansion program and to include such expense in annual budget estimates for fiscal year 1960 and thereafter, if the Congress preferred this procedure.

On the other hand, conduct of minerals-research projects for national-defense purposes highlights the importance of the borrowing-authority procedure. The development of new uses for rare minerals necessitates the development of new extractive processes and refining techniques without delay. The need to prove out a laboratory discovery which promises to make possible large-scale production of a rocket propellent or a synthetic mica should not, in the interests of defense, wait upon the normal budget processes.

It is a consoling fact that the industrial developments financed in some part by the borrowing authority over the last several years have kept ahead of emergency requirements in most cases. It remains a very real possibility that future events may move faster and that we shall need every available legislative authority to keep our productive capacity in an effective relationship to our defense requirements.

Senator CLARK. Let me ask you if a bill similar to S. 4162 has been introduced in the House.

Mr. PATTERSON. Not to my knowledge. It has not been brought to my attention. Have you heard of it, Mr. Kendall?

Mr. KENDALL. No. It was sent to the Speaker of the House, but I have not been advised that it was introduced.

Senator CLARK. This bill has been introduced in the Senate and referred to this committee at your request, has it not?

Mr. PATTERSON. That is correct, sir.

Senator CLARK. Let me ask you, finally, whether you have a sense of urgency about the need for this legislation in the closing days of this session. Is this something that you feel very strongly about, or are you really just trying to make a record and hoping that, perhaps, something will go through? It is going to be harder and harder to get things through in the next couple of weeks, and I am interested to know whether you feel that this committee should make, really, an all-out effort to get this legislation adopted, or whether you can get along pretty well without it until next January.

Mr. PATTERSON. I believe, Senator, that we would be taking a calculated risk, and based on the figures that the General Services Administration will give you in their testimony it will show that margin where we just do not feel that we should take that calculated risk.

Senator CLARK. You feel if anybody is going to take the risk it ought to be the Congress and not you?

Mr. PATTERSON. Well, I think we can both take the risk, if we are going to take it, but I believe that we should not. Being aware of the explosive rapidity with which technology is developing, and to bring us up to the point where we would not jeopardize ourselves if it was needed, we need this protective measure, and I think we can address ourselves to it in terms of the arithmetic that will be presented here, which will make it more crystal clear as to the reason why I believe there is a sense of urgency.

Senator CLARK. If you did get into any trouble in the next 5 or 6 months, you could draw on the President's emergency fund, could you not?

Mr. PATTERSON. Well, I will have to ask the General Counsel to enlighten me on that.

Mr. KENDALL. I suppose that if you convinced the President that his other requirements on that fund should give way, we could; but, sir, if the situation that would justify our asking him for part of his emergency fund were to arise, I would also expect a great many other requests along the same lines. If the exigency arises in the next 6 months, it is simple preparedness for us to be able to make contracts under this authority.

Senator CLARK. You, too, feel strongly that this is legislation which it is important to pass in the next few weeks; is that correct?

Mr. KENDALL. I think it is important to the defense of this country that this pass, yes, sir.

Senator CLARK. Any other questions? Thank you very much.

Our next witness is Hon. Franklin Floete, the Administrator of GSA, accompanied by Max Medley, Comptroller, and Henry Pike, Associate General Counsel. Will you gentlemen please come forward?

STATEMENT OF FRANKLIN FLOETE, ADMINISTRATOR; ACCOMPANIED BY MAX MEDLEY, COMPTROLLER, AND HENRY PIKE, ASSOCIATE GENERAL COUNSEL, GENERAL SERVICES ADMINISTRATION

Senator CLARK. Do you have a prepared statement?

Mr. FLOETE. No, sir, I do not.

Senator CLARK. Will you just proceed in your own way, please.

Mr. FLOETE. All right, sir.

I think the preliminary statement by the committee itself covered the broad aspects of this matter very well indeed, supplemented by Mr. Patterson's and Mr. Kendall's statements. I will simply review the matter, as I see it, as it stands today.

The Defense Production Act authorized the establishment in 1950 of this borrowing authority. Sections 302 and 303 set up the various functions, such as making loans, making purchases, making purchase commitments, research and development, and other matters of that nature. Section 304 gave to the agencies that were to perform this work the authority to borrow from the United States Treasury. Those were Interior, Agriculture, Export-Import Bank, the Treasury Department, and GSA.

The bulk of the $2.1 billion which was set up by Congress was allocated to GSA. It was $1,665,000,000 as of March 31, 1958.

The plan permitted these various agencies to enter into contracts far in excess of the $2.1 billion, just so that the total nonrecoverable cost to the Government did not exceed the $2.1 billion.

Working under that plan, programs were certified by ODM amounting to $8.3 billion, and we estimated on March 31, 1958, that the net cost to the Government on that $8.3 billion would be approximately $1 billion.

The programs actually consummated under the Defense Production Act totaled $7.7 billion, and we estimated as of March 31, 1958, that the ultimate net cost to the Government may be about $950 million, or about 12½ percent. I think this was contemplated at the time the act was passed, and I believe that it will continue to work about that way.

The situation we now find ourselves in is due to various factors. In the first place, we have had practically no appropriations to the national stockpile for 3 years now, none this year as yet, although we may get $3 million; and none last year. We actually returned $199,349,000 to the Treasury in 1957.

Secondly, the goals for the strategic stockpile—the national stockpile—have been substantially curtailed by reason of adopting the concept of a 3-year war, and accordingly the possibility of reimbursement from that source has decreased.

We do not feel that it would be good business to put these inventories now in the Defense Production Act inventory on the market at this time, and therefore as a matter of policy we are not doing so.

The principal reason that leads to the predicament that we are in

is the very greatly increased amount of tenders that are being made to us under the contracts. Whereas up until about a year ago there were really very little tenders except on certain incentive-type contracts where the price exceeded the market, now we are getting a great many deliveries under the market price contracts.

Our inventory as of March 31, 1958, amounts to $1,027 million in this Defense Production Act inventory, and the principal items are aluminum, $218 million; manganese, $111 million; titanium, $152 million; and tungsten, $325 million. There are some 10 or 15 lesser amounts.

Senator CLARK. Mr. Floete, let me see if I understand that. In effect, that means that with respect to these particular materials that you have just outlined the current recession, plus the present status of demand and supply of those minerals, is such that you are stuck with them for the time being?

Mr. FLOETE. That is correct.

Senator CAPEHART. May I ask the total dollar stockpile of all three of these so-called stockpiles?

Mr. FLOETE. About $7½ billion.

Senator CAPEHART. $7½ billion.

Mr. FLOETE. Yes, sir.

Senator CAPEHART. That is the three stockpiles that were spoken about a minute ago?

Mr. FLOETE. That is right. That is DPA, supplemental, and the strategic stockpile.

Senator CAPEHART. About $7¾ billion.

Mr. FLOETE. Of which approximately $6 billion is the national stockpile itself.

Senator CAPEHART. And the other is what you are holding?

Mr. FLOETE. Yes, sir, DPA and Commodity Credit.

Senator CAPEHART. And you are selling none of that inventory or stockpile at the moment?

Mr. FLOETE. Well, we have recently been trying to sell hog bristles. But we have had to do it very carefully and not flood the market. We have been at it a year now, and we still do not have it done.

Senator CAPEHART. What is the inventory of hog bristles?

Mr. FLOETE. I cannot remember.

Senator CAPEHART. It is not very much, is it?

Mr. FLOETE. No, it is not a very big item.

We are trying to sell a pile of manganese ore down in El Paso, Tex. We have about $7,500,000 in that. It is low-grade ore that came from Mexico. We are going to take bids on it sometime within the next 30 days. We have had to do it in this particular case because it is 300,000 tons located on what will be a right-of-way for a State road.

Senator CAPEHART. This inventory was built up as a result of the Korean war?

Mr. FLOETE. That is correct.

Senator CAPEHART. We thought at the time that we might well need it in the prosecution of the war?

Mr. FLOETE. And I think it is a good thing to have now.

Senator CAPEHART. And it is likewise a metal reserve in case we get into another war?

Mr. FLOETE. Correct.

We have prepared some sheets here. I believe you have a copy of this large sheet.

Senator CLARK. Just a minute, Mr. Floete. Let us put in the record at this point the sheet to which the witness has referred, which is entitled "General Services Administration—Long-Range Estimates of Defense Production Act Expenditures and Borrowings (in Millions of Dollars)." That is the sheet you are referring to?

Mr. FLOETE. Yes, sir.

(The document referred to follows:)

General Services Administration—Long-range estimates of Defense Production Act expenditures and borrowings

[In millions of dollars]

	Assuming: (1) Probable deliveries; and (2) No change in present financial techniques						Assuming: (1) Probable deliveries to Government (as estimated May 1958); and (2) Writeoff of June 30, 1958, actual losses without reduction of borrowing authority					
	1959	1960	1961	1962	1963	1964	1959	1960	1961	1962	1963	1964
A. General Services Administration:												
Cumulative net expenditures	$1,374.1	$1,747.2	$1,999.7	$2,177.2	$2,326.1	$2,448.8	$1,374.1	$1,740.9	$1,987.0	$2,157.9	$2,300.1	$2,400.9
Estimated working cash	15.0	15.0	15.0	15.0	15.0	−15.0	15.0	15.0	15.0	15.0	15.0	0
Total borrowings	1,389.1	1,762.2	2,014.7	2,192.2	2,341.1	2,433.8	1,389.1	1,755.9	2,002.0	2,172.9	2,315.1	2,400.9
Writeoff of June 30, 1958 losses	0	0	0	0	0	0	205.0	205.0	205.0	205.0	205.0	205.0
Net borrowings	1,389.1	1,762.2	2,014.7	2,192.2	2,341.1	2,433.8	1,184.1	1,550.9	1,797.0	1,967.9	2,110.1	2,195.9
Activity during year:												
Purchases	314.1	186.5	104.5	70.4	30.4	24.3	314.1	186.5	104.5	70.4	30.4	24.3
Treasury interest (at 3 percent)	46.7	55.9	62.2	67.0	70.8	73.5	40.4	49.5	55.6	60.3	63.9	66.4
Other	19.6	11.1	11.6	12.3	7.3	7.3	19.6	11.1	11.6	12.3	7.3	7.3
Total expenditures	380.4	253.5	178.3	149.7	108.5	105.1	374.1	247.1	171.7	143.0	101.6	98.0
Sales to stockpile	0	0	0	0	0	0	0	0	0	0	0	0
Sales to industry	5.7	0	0	0	0	0	5.7	0	0	0	0	0
Other receipts	1.6	1.0	.8	.8	.8	0	1.6	1.0	.8	.8	.8	0
Total receipts	7.3	1.0	.8	.8	.8	0	7.3	1.0	.8	.8	.8	0
Net expenditures	373.1	252.5	177.5	148.9	107.7	105.1	366.8	246.1	170.9	142.2	100.8	98.0
Borrowings, end of year	1,762.2	2,014.7	2,192.2	2,341.1	2,448.8	2,538.9	1,550.9	1,797.0	1,967.9	2,110.1	2,210.9	2,293.9
B. Other agencies:												
Borrowings at end of year:												
Interior	32.5	34.5	36.5	38.5	40.5	42.5	32.5	0	0	0	0	0
Export-Import Bank	24.0	18.9	13.8	11.5	11.3	11.1	24.0	18.9	13.8	11.5	11.3	11.1
Agriculture	59.2	64.5	64.6	64.6	66.2	79.1	62.6	0	0	0	0	0
Treasury	156.0	146.0	136.0	128.0	120.0	114.0	156.0	146.0	136.0	128.0	120.0	114.0
Total	271.7	263.9	250.9	242.6	238.0	246.7	275.1	164.9	149.8	139.5	131.3	125.1

Less: Writeoff of losses	0	0	0	0	0	0	95.1	0	0	0	0	0
Net borrowings, end of year	271.7	263.9	250.9	242.6	238.0	246.7	180.0	164.9	149.8	139.5	131.3	125.1
C Total all agencies:												
Borrowing authority authorized	2,100.0	2,100.0	2,100.0	2,100.0	2,100.0	2,100.0	2,100.0	2,100.0	2,100.0	2,100.0	2,100.0	2,100.0
Net borrowings outstanding at end of year	2,033.9	2,278.6	2,443.1	2,583.7	2,686.8	2,785.6	1,730.9	1,961.9	2,117.7	2,249.6	2,342.2	2,419.0
Unused borrowing authority	66.1	(178.6)	(343.1)	(483.7)	(586.8)	(685.6)	369.1	138.1	(17.7)	(149.6)	(242.2)	(319.0)

Mr. FLOETE. The data on the left-hand side of the page indicates where we would stand if this bill is not passed. In other words, at the end of fiscal year 1959 we would only have $66 million left, and we would go into the red in 1960.

Senator CLARK. Just a minute, Mr. Floete. Let us get a jumping off place. Where do we stand now? You have a 1959 figure of $66.1 million.

Mr. FLOETE. We stand with an inventory and losses, in other words, cumulative with expenditures as of July 1, 1958, of an estimated $1,374 million, and then if we add in the anticipated——

Senator CLARK. This says 1959. Do you mean 1958?

Mr. FLOETE. That is as of July 1, 1958. GSA has $1,374 million invested and other agencies have approximately $285 million invested.

Senator CLARK. Are you talking about fiscal years or about calendar dates?

Mr. FLOETE. Fiscal years.

Senator CLARK. So you are talking about the current fiscal year?

Mr. FLOETE. That is correct.

Senator CAPEHART. Ending next June 30, 1959.

Mr. FLOETE. Yes, that is correct as to the forecasted unused borrowing authority of $66.1 million.

Senator CLARK. So in effect you are telling us about the present situation?

Mr. FLOETE. That is right, down to date.

These figures we can estimate fairly accurately, except one figure, and that is what will our deliveries be under these incentive type contracts which have been in effect for 5, 6 and 7 years.

Senator CLARK. You had better amplify what you mean by that.

Mr. FLOETE. Well, we enter into two general types of contracts, one a firm commitment to buy a given quantity at a given price. The second type of contract is where the contractor has an option to deliver. He may deliver if it is to his advantage to do so. As I said a moment ago, we had very few deliveries until about a year ago under the latter type of contract.

Senator CAPEHART. If you will yield, let me explain it this way. The Defense Production Act gave the Government the right to enter into contracts with people to produce or deliver X amount of goods at a given figure, at a fixed figure. It likewise gave them the right to enter into contracts with the concerns to deliver at their option at a given figure, and therefore the uncertainty as to those amounts is whether or not these people that have the option not to deliver if they do not want to will either deliver or not deliver. Is that not correct?

Mr. FLOETE. That is correct.

Senator CAPEHART. And the biggest or one of the biggest of those second types of contracts where they have the option to deliver if they wish is aluminum. Is that correct?

Mr. FLOETE. That is correct. For instance, in the 10 months ending April 30, 1958, we had actually delivered and paid for $364,823,000, of which $179 million was aluminum, $40 million was manganese, and $35 million was copper. We were getting very little copper until that time, you see.

So we are confronted with the possibility that this $66 million that we estimate we will still have at the end of fiscal year 1959 may not

be right. You will note that we anticipate purchases of $314 million during that period, but a man would have to be wiser than Solomon to make an absolutely accurate guess on that.

Senator CAPEHART. Will you yield a minute? When did we discontinue, or have we discontinued, making such contracts?

Mr. FLOETE. We have made no such contracts since a year ago last March, and we have only made 1 in the last 2 years that I know of.

Senator CLARK. Do you have a ceiling as to how much you might get stuck with under these option contracts?

Mr. FLOETE. Yes, sir. We estimate that as of June 30, 1958, there is a total so-called exposure from $1.1 billion to $1.2 billion, which would be the maximum amount that they could put to GSA under these contracts, and we figure that over the life of the contract we will probably get $720 million of that, and we further figure that we will get $314 million of it in this fiscal year. Now, it could be more. In that case the $66 million is a pretty small margin.

Senator CAPEHART. But in all fairness we have to say here when you spend that money you are going to get the equivalent in aluminum or copper or other things.

Mr. FLOETE. Yes.

Senator CLARK. At what price? At a fixed price?

Mr. FLOETE. Every contract varies, but aluminum is market, and the present market on aluminum is 24 cents.

Senator CLARK. Of course, that market would be substantially affected if you decided to dispose of some of the aluminum you have?

Mr. FLOETE. Yes.

Senator CAPEHART. It is at a fixed price, either the fixed price or market price, and the market price becomes the fixed price.

Senator CLARK. The market price can fluctuate, depending on what he does with his aluminum.

Mr. FLOETE. A year ago it was 26 cents, and April 1, 1958, they dropped it to 24.

Senator CLARK. If you were operating a private business, you would not be very happy about your prospects, would you?

Mr. FLOETE. Well, on the other hand, if you go around to these stockpiles and see what we have got, to me it is a very consoling thing when you think that at the time of Korea or particularly at the time of the Second World War we just had nothing.

Senator CLARK. I agree with that. I am sure it is much better than it was. On the other hand, would you not agree that in a good many materials you have far more than there is any reasonable expectation you will ever need, particularly since you cut down from a 5-year-stockpile to a 3-year-stockpile basis?

Mr. FLOETE. Yes. We are overloaded in certain categories.

Senator CLARK. You have an awful lot more tungsten than there is any reasonable expectation you are going to need; is that not true?

Mr. FLOETE. That is the way it looks now.

Senator CLARK. Mr. Floete, I think it would be helpful to have in the record at this point a table which Mr. Hale has handed me, entitled "Summary of Government Exposure, Cash Outlay, Under Defense Production Act and National Stockpile Active Raw Material Contracts as of March 31, 1958," which I think spells out in some detail what we have been talking about. Let us put that in the record.

(The document referred to follows:)

Summary of Government exposure, cash outlay, under Defense Production Act and national stockpile active raw material contracts, exclusive of rotation contracts, as of Mar. 31, 1958

Commodity	Unit	Remaining maximum exposure		Estimated deliveries		Gross contract total		Delivered to Government		"Put" rights not used	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Aluminum: Defense Production Act	Short ton	550,716	$268,147,000	432,121	$211,877,000	3,336,000	$1,516,677,000	908,568	$410,625,000	1,876,716	$837,905,000
Antimony: Strategic and Critical Materials Stockpile Act	do	2,091	1,301,000	2,048	1,276,000	2,800	1,765,000	709	464,000		
Asbestos-amosite: Strategic and Critical Materials Stockpile Act	do	2,859	698,000	2,860	698,000	3,800	927,000	941	229,000		
Bauxite, metallurgical, Jamaica type: Defense Production Act	Long dry ton	546,580	7,285,000	546,580	7,285,000	1,900,000	25,323,900	1,353,420	18,038,000		
Beryl: Defense Production Act	Short ton	2,647	1,460,000	2,122	1,170,000	4,500	2,482,000	1,853	1,022,000		
Chromite, metallurgical grade: Defense Production Act	Long ton	351,254	13,268,000	351,254	13,268,000	803,571	30,354,000	452,317	17,086,000		
Strategic and Critical Materials Stockpile Act	do	15,012	1,470,000	15,012	1,470,000	200,000	19,580,000	184,988	18,110,000		
Total	do	366,266	14,738,000	366,266	14,738,000	1,003,571	49,934,000	637,305	35,196,000		
Cobalt: Defense Production Act	Pound	54,575,282	114,161,000	42,437,000	91,371,000	61,034,000	128,631,000	6,458,718	14,470,000		
Strategic and Critical Materials Stockpile Act	do			[1] 33,515							
Total	do	54,575,282	114,161,000	42,470,515	91,371,000	61,034,000	128,631,000	6,458,718	14,470,000		
Columbium-tantalum: Defense Production Act	do	585,540	5,185,000	532,000	4,770,000	1,615,000	13,789,000	519,649	4,682,000	509,811	3,922,000
Copper: Defense Production Act	Short ton	312,684	170,268,000	189,684	103,725,000	684,688	379,586,000	91,910	52,690,000	280,094	156,628,000
Strategic and Critical Materials Stockpile Act	do	2,273	1,137,000	2,273	1,137,000	12,500	8,163,000	10,227	7,026,000		
Total	do	314,957	171,405,000	191,957	104,862,000	697,188	387,749,000	102,137	59,716,000	280,094	156,628,000
Diamonds, industrial bort: Strategic and Critical Materials Stockpile Act	Carat	5,500,000	15,125,000	5,500,000	15,125,000	24,054,521	49,946,000	16,554,521	34,821,000		
Fluorspar, metallurgical grade: Strategic and Critical Materials Stockpile Act	Short ton	76,550	2,834,000	77,787	2,880,000	76,550	2,834,000				
Jewel bearings: Strategic and Critical Materials Stockpile Act	Piece	1,450,000	150,000	1,450,000	150,000	2,000,000	700,000	550,000	550,000		

Lead:											
Defense Production Act	Short ton	20,709	7,520,000	20,709	7,520,000	26,250	9,532,000	5,541	2,012,000		
Strategic and Critical Materials Stockpile Act (spot purchases)	do			5,049	1,110,780						
Total	do	20,709	7,520,000	25,758	8,630,780	26,250	9,532,000	5,541	2,012,000		
Manganese, battery, synthetic dioxide:											
Defense Production Act	Long ton	1,393	998,000	1,294	927,000	6,429	4,608,000	5,036	3,610,000		
Strategic and Critical Materials Stockpile Act	do	2,219	1,435,000	2,266	1,466,000	3,500	2,263,000	1,281	828,000		
Total	do	3,612	2,433,000	3,560	2,393,000	9,929	6,871,000	6,317	4,438,000		
Manganese, metallurgical grade:											
Defense Production Act	do	5,831,367	291,286,000	372,671	34,149,000	7,255,217	396,866,000	1,423,850	105,580,000		
Strategic and Critical Materials Stockpile Act	do	24,162	1,011,000			114,583	4,794,000	90,421	3,783,000		
Total	do	5,855,529	292,297,000	372,671	34,149,000	7,369,800	401,660,000	1,514,271	109,363,000		
Mercury: Defense Production Act	Flask	46,174	10,396,000	46,174	10,390,000	200,000	45,000,000	13,188	2,967,000	140,638	31,648,000
Mica:											
Defense Production Act	Pound	9,122,638	52,642,000	4,543,190	32,426,000		70,616,000		17,974,000		
Strategic and Critical Materials Stockpile Act	do	25,073	147,000	109,237	640,000	179,000	1,047,000	153,927	900,000		
Total	do	9,147,711	52,789,000	4,652,427	33,066,000		71,663,000		18,874,000		
Nickel:											
Defense Production Act	do	496,389,051	424,203,000	285,722,384	271,161,000	712,463,000	633,956,000	169,783,649	168,201,000	46,290,300	41,552,000
Strategic and Critical Materials Stockpile Act	do	26,774,600	19,513,000	26,374,600	19,222,000	104,000,000	72,807,000	36,225,400	23,029,000	41,000,000	30,265,000
Total	do	523,163,651	443,716,000	312,096,984	290,383,000	816,463,000	706,763,000	206,009,049	191,230,000	87,290,300	71,817,000
Titanium: Defense Production Act	Short ton	1,117	28,137,000	1,117	28,137,000	16,609	125,428,000	14,564	94,054,000	838	3,237,000
Tungsten: Strategic and Critical Materials Stockpile Act	Pounds, W	5,828,898	18,769,000	6,962,714	24,230,000	57,498,715	197,722,000	3,717,492	129,294,000	14,494,987	49,659,000
Total (value):											
Defense Production Act			1,394,950,000		818,176,000		3,382,848,000		913,011,060		1,074,892,000
Strategic and Critical Materials Stockpile Act			63,590,000		69,404,780		362,548,000		219,034,000		79,924,000
Grand total			1,458,540,000		887,580,780		3,745,396,000		1,132,045,000		1,154,816,000

[1] In transit deliveries paid for.

29005—58—4

Senator CLARK. Now go right ahead, Mr. Floete. We would like to conclude as soon as we can.

Mr. FLOETE. I think in addition to the very good point made by Mr. Patterson as to having the authority available for various new contracts is the very practical thing that we well may run out of money simply by getting increased deliveries. This bill would restore a reasonable balance for us, but it is apparent that additional legislation will be necessary in the future. The bill itself would write off the following items: The net operating loss, $84,798,000; administrative expense, $19,656,000; custodial expense, $5,049,000; and Treasury interest, $88,534,000 through March 31, 1958, plus about $7 million in estimated interest, custodial and administrative expense between March 31 and June 30, 1958; amounting to $205,028,000. Then $62,589,000 for the Department of Agriculture and $32,500,000 for the Interior Department. The total is $300,117,000.

Senator CLARK. Those figures appear on a sheet on which appears: "Defense Production Act Borrowing Authority Fund"?

Mr. FLOETE. Yes, sir.

Senator CLARK. I would like to have that sheet placed in the record at this point.

(The document above referred to follows:)

DEFENSE PRODUCTION ACT BORROWING AUTHORITY FUND

Summary of actual and estimated losses through June 30, 1958

	Thousands
General Services Administration:	
Net operating loss (all commodities)	$84,798
Administrative expense	19,656
Custodial expense	5,049
Treasury interest	88,534
Other income	(9)
Net loss through Mar. 31, 1958	198,028
Projected interest, custodial and administrative to June 30, 1958	7,000
Total estimated loss through June 30, 1958	205,028
Department of Agriculture	62,589
Department of the Interior	32,500
Total losses all agencies through June 30, 1958	300,117

Mr. FLOETE. Senator Capehart, the losses in the Agriculture Department consist primarily of the American-Egyptian cotton, $8.4 million; castor beans, $5.4 million; kenafseed, $1.4 million; and linseed oil, $43.7 million; total of $59 million.

Senator CAPEHART. Those are the products the Department of Agriculture turned over to you under existing law?

Mr. FLOETE. No, they are on transactions that they——

Senator CAPEHART. They are on transactions; under the law, they turn them over to you?

Mr. FLOETE. That is, to the DPA inventory.

Senator CLARK. What was the Department of Agriculture doing buying Egyptian cotton, do you know?

Mr. FLOETE. There was a time when Egyptian cotton was in very short supply. It is only recently that the Southwest has developed a type of cotton that seems to make Egyptian cotton unnecessary, and we have presented to Congress a plan to dispose, over a period of years, of the long staple cotton in the national stockpile. Under the

DPA program, the cotton that was purchased was produced in this country.

Senator CLARK. This was purchased some years ago?

Mr. FLOETE. Yes, sir.

Senator CLARK. There have been no recent purchases of long staple Egyptian cotton?

Mr. FLOETE. No recent purchases of American-Egyptian cotton under the DPA program, but the Department of Agriculture does carry on a price-support program under the CCC authority.

Senator CLARK. Can you tell us what the loss to the Department of Interior is?

Mr. FLOETE. Mr. Medley, the Comptroller of GSA, will answer.

Mr. MEDLEY. Senator, I believe that is mainly the programs of the Defense Minerals Exploration Administration; they in effect make a combination grant and loan to a small miner. If his speculation proves to be profitable, he has to repay it; if not, it turns out to be a direct grant to the miner.

Senator CAPEHART. In other words, would that be amounts that have been spent trying to find new veins or new sources of supply in the United States and other places?

Mr. MEDLEY. That is correct, Senator Capehart.

Senator CLARK. Any more, Mr. Floete?

Mr. FLOETE. No, sir. I think we, of course, feel strongly that the passage of the bill at this time is very desirable. I cannot foretell just what will happen. We have made the best guess we can in saying $314 million in purchases during fiscal 1959, but we would not have anticipated a year ago that we would have had the amount delivered that we have had.

Senator CAPEHART. May I ask this question, whether we do or not pass this law, this $300,117,000 is a loss?

Mr. FLOETE. That is right.

Senator CAPEHART. It is gone?

Mr. FLOETE. It is gone; it is over.

Senator CAPEHART. It is a loss and——

Senator CLARK. You have no collateral for it? There is no possibility of any recoupment, is that correct?

Mr. FLOETE. None.

Senator CAPEHART. Therefore, if we do pass this bill, you could get along without any additional appropriations?

Mr. FLOETE. For this year.

Senator CAPEHART. For this year. And if we do not do it, then you have $66 million, which may be enough and again it may not?

Mr. FLOETE. That is right.

Senator CLARK. For this year, you hope, subject to the out you quite correctly gave yourself a few minutes ago when you said you really did not know what was going to happen on these option contracts. Of course, if the worst should happen on the option contracts, you would not get by, would you?

Mr. FLOETE. Well, you see, the figures on the right-hand side indicate where we will be if the bill is passed. That is at the end of fiscal 1959, we will still have $369 million unused.

Senator CLARK. That is even if these options were all exercised on your outstanding contracts?

You remember, you were pretty gloomy about what might happen with respect to those option contracts. You used another phrase—I cannot remember what it was.

Mr. FLOETE. No, that is assuming that the deliveries will be no more than $314 million that we spoke of.

Senator CLARK. But they could be, could they not?

Mr. FLOETE. They could be, but we will be in a much better position than we would be if we did not get the act.

Senator CLARK. You would be $314 million better off, but that might not be enough?

Mr. FLOETE. It is possible.

Senator CLARK. I would like to place in the record at this point, Mr. Floete, a letter directed to Mr. Charles H. Kendall, general counsel, from GSA, dated July 7, 1958. It has attached to it tables which I think will be helpful to the record on this point.

(The letter referred to follows:)

GENERAL SERVICES ADMINISTRATION,
Washington, D. C., July 7, 1958.

Mr. CHARLES H. KENDALL,
General Counsel, Office of Defense and Civil Mobilization,
Washington, D. C.

DEAR MR. KENDALL: This will confirm our discussions concerning material required by Mr. Hale of the staff of the Joint Committee on Defense Production with respect to financial losses incurred by GSA and other agencies utilizing the Defense Production Act borrowing authority fund.

There are attached three tables listing losses incurred by agency, program, and type of expense:

Exhibit A: A summary of losses incurred by all agencies as of June 30, 1958. These losses represent actual losses incurred through March 31, 1958, and estimates for the last quarter of fiscal year 1958. In the case of Department of Agriculture, the amount of losses has been increased by them from the $59.2 million previously reported to $62.6 million as of March 31, 1958. We assume that this is all due to Treasury interest accruals since the last report.

Exhibit B: A condensed profit and loss statement of GSA activity.

Exhibit B–1: A statement of gross profit or loss by individual minerals and metals program. It provides detailed data in support of exhibit B.

If you require further information, please call.

Sincerely yours,

W. P. TURPIN
(Acting for Max Medley, Comptroller).

EXHIBIT A

Defense Production Act Borrowing Authority Fund—Summary of actual and estimated losses through June 30, 1958

[In thousands of dollars]

		Profit or loss (−)
General Service Administration:		
Rubber program (exhibit B, col. 1)		$13,857
Minerals and metals program (exhibit B, col. 2, and exhibit B–1)		−100,205
Machine tool program (exhibit B, col. 3)		1,550
Subtotal net operating loss		−84,798
Other expenses:		
Administrative expenses		−19,656
Custodial expenses		−5,049
Treasury interest		−88,534
Nonoperating income		9
Net loss through Mar. 31, 1958		−198,028
Estimated losses Mar. 31 through June 30, 1958:		
Treasury interest, custodial and administrative expenses		−7,000
Total losses through June 30, 1958		−205,028
Department of Agriculture:		
Linseed oil program	−$43,686	
American-Egyptian cotton program	−8,571	
Castor bean program	−5,391	
Tung-oil and Kenaf seed and fiber	−1,460	
Treasury interest	−3,481	
		[1] −62,589
Department of Interior:		
Minerals exploration grants, actual through Mar. 31, 1958	−30,645	
Estimated losses Mar. 31, 1958—June 30, 1958	−1,855	
Total losses through June 30, 1958		−32,500
Grand total losses June 30, 1958		−300,117

[1] Previously estimated at $59,200,000.

EXHIBIT B

Statement of income and expense, Dec. 29, 1950, through Mar. 31, 1958

	Rubber (1)	Minerals and metals (2)	Machine tools (3)	Total
Sales	$889,848,182.86	$940,040,988.28		$1,829,889,170.64
Cost of commodities sold:				
Inventory at beginning of period	0	0		0
Purchases, manufacturing and direct expenses	867,476,899.91	2,041,201,873.72		2,908,678,773.63
Less: Claims for shortage and quality allowances	1,338,720.72	0		1,338,720.72
Available for sale	866,138,179.19	2,041,201,873.72		2,907,340,052.91
Less: Inventory at end of period	0	1,027,952,797.22		1,027,952,797.22
Cost of commodities sold	866,138,179.19	1,013,249,076.50		1,879,387,255.69
Gross profit or (loss)	23,710,003.17	(73,208,088.22)		(49,498,085.05)
Other income:				
Interest	2,938.96	15,286,157.29	$1,697,158.75	16,986,255.00
Rentals		808,572.20	15,920,233.82	16,728,806.02
Other	1,838.06	6,579,474.79	33,902.86	6,615,215.71
Total other income	4,777.02	22,674,204.28	17,651,295.43	40,330,276.73
Total income	23,714,780.19	(50,533,883.94)	17,651,295.43	(9,167,808.32)
Expenses:				
Accessorial expenses		9,322,868.49		9,322,868.49
Production guaranties		27,202,041.75		27,202,041.75
Research and development		6,193,885.26		6,193,885.26
Interest expense, other	28,123.88			28,123.88
Losses on advances		124,329.84	69,697.00	194,026.84
Shutdown expense, Government-owned plants		2,626,684.04		2,626,684.04
Nicaro disposal expense		895.74		895.74
Contract termination		1,095,186.68	3,856,749.26	4,951,935.94
Depreciation		115,768.00	10,816,535.19	10,932,303.19
Losses on accounts and notes receivable	126,876.26	164,831.10	38,819.69	330,527.05
Loss on disposal of assets		2,205,776.14	600,619.40	2,806,395.54
Lubricating graphite development		173,858.06		173,858.06
Program expense, other	9,703,164.86	444,528.89	719,269.01	10,866,962.76
Total expenses	9,858,165.00	49,670,653.99	16,101,689.55	75,630,508.54
Net operating profit or (loss) by program	13,856,615.19	(100,204,537.93)	1,549,605.88	(84,798,316.86)
Other undistributed expenses:				
Administrative expenses				19,656,018.18
Custodial expense				5,048,499.19
Interest expense, U. S. Treasury				88,534,203.85
Nonoperating (income) or expense				(8,668.06)
Total other expenses				113,230,053.16
Net profit or (loss)				(198,028,370.02)

EXHIBIT B–1

Schedule of sales and cost of commodities sold, minerals and metals, Dec. 29, 1950 through Mar. 31, 1958

Commodites	Sales	Cost of commodites sold				Gross profit (loss)
		Inventory at beginning of period	Purchases, manufacturing and direct expenses	Less: Inventory at end of period	Cost of commodities sold	
Aluminum (pig)	$206,004,884.14	0	$424,686,470.86	$218,810,492.62	$205,875,978.24	$128,905.90
Aluminum (sheet)	5,036,339.50	0	4,783,156.24	0	4,783,156.24	253,183.26
Asbestos	0	0	2,102,575.05	2,102,575.05	0	0
Bauxite	7,085,435.32	0	18,065,554.78	10,929,149.12	7,136,405.66	(50,970.34)
Beryllium	426,831.36	0	1,161,463.80	620,822.15	540,641.65	(113,810.29)
Bismuth	0	0	52,361.89	52,361.89	0	0
Chrome	2,468,088.92	0	24,262,568.31	21,558,944.23	2,703,624.08	(235,535.16)
Cobalt	3,964,168.16	0	15,553,409.03	11,003,264.67	4,550,144.36	(585,976.20)
Columbium-tantalum	10,608,313.84	0	74,233,013.19	56,612,721.72	17,620,291.47	(7,011,977.63)
Copper	56,243,426.82	0	84,905,947.12	32,329,823.80	52,576,123.41	3,667,303.41
Cryolite	3,619,369.36	0	15,338,836.06	10,760,466.70	4,578,369.36	(959,000.00)
Fluorspar	10,278,689.32	0	14,962,095.64	1,394,452.72	13,567,642.92	(3,288,953.60)
Graphite	0	0	177,545.00	177,545.00	0	0
Lead	11,810,183.90	0	13,249,751.59	1,151,217.59	12,098,534.00	(288,350.10)
Magnesium	110,860,261.85	0	122,754,518.01	0	122,754,518.01	(11,894,256.16)
Manganese	27,756,039.85	0	151,572,574.51	115,542,481.80	36,030,092.71	(8,274,052.86)
Mercury	1,394,323.24	0	2,967,262.02	1,596,112.02	1,371,150.00	23,173.24
Mica	3,679,110.75	0	23,333,343.72	11,851,679.42	11,481,664.30	(7,802,553.55)
Molybdenum	38,457,047.90	0	39,889,847.74	0	39,889,847.74	(1,432,799.84)
Nickel	205,319,546.49	0	278,398,874.70	52,423,808.04	225,975,066.66	(20,655,520.17)
Scrap (nonferrous)	426,312.89	0	532,904.48	0	532,904.48	(106,591.59)
Tin	174,082,935.19	0	176,592,885.97	1,037,651.35	175,555,234.62	(1,472,299.43)
Titanium	4,309,814.74	0	157,039,885.62	152,585,495.81	4,454,389.81	(144,575.07)
Tungsten	34,540,972.02	0	366,866,996.67	325,411,731.52	41,455,265.15	(6,914,293.13)
Zinc	21,668,892.72	0	27,718,031.63	0	27,718,031.63	(6,049,138.91)
Total	940,040,988.28	0	2,041,201,873.72	1,027,952,797.22	1,013,249,076.50	(73,208,088.22)

Senator CLARK. Senator Capehart, any questions?

Senator CAPEHART. No more questions.

Senator CLARK. Do you have anything more, Mr. Floeté?

Mr. FLOETE. No, sir.

Senator CLARK. The staff, Mr. Hale, has a question or two.

Mr. HALE. Could you give the committee some information about the different programs; such as, for instance, the nickel program and its relation to the Nicaro plant?

Mr. FLOETE. Well, under the nickel program, as a whole, we had approximately 8 or 9 contracts, principally with International Nickel, Falconbridge Nickel, Hanna, a minor one with National Lead, and Freeport Sulphur. In addition to that, we have been operating the Government-owned plant at Nicaro, Cuba, ever since the plant was constructed, except for the period between World War II and the Korean war. I believe in 1942 or 1943 it was finished.

The plant was originally designed to produce 32 million pounds per year. Some 3 or 4 years ago, it was determined that this productive capacity should be increased to about 50 million. The contract was let, the new construction was completed approximately a year ago, and, starting early in July, the plant was producing on the basis of 50 million pounds per year.

We at that time, under directive from ODM, were selling the output of the plant to industry. However, beginning about November, the demand from industry became less and less until at the present time we are selling less than 20 percent of the productive capacity of the plant. All nickel companies have experienced a similar situation.

We are proposing at the present time to dispose of the plant believing that the Government should be out of the business and since it is a national industrial reserve plant, it was necessary for us to go to the Department of Defense and secure authorization to either sell or lease it.

We did that and got that authorization last September, late in September. We then thought we would be in a position to dispose of the plant.

The current decline in the nickel market has curtailed the sale of Nicaro and Hanna Nickel, thereby tying up substantial amounts of the borrowing authority. In addition, there have been tendered to the Government large amounts of nickel which have heretofore been diverted to industry, some of which, in the case of International Nickel Co. and Falconbridge Nickel Mines, Ltd., involve premium-priced nickel. Beginning in fiscal year 1960, the Government will become exposed to nickel tenders from Cuban American Nickel Co., a subsidiary of Freeport Sulphur Co., although that contract does not involve premium-priced nickel.

An increase in the market demand for nickel can be anticipated when market conditions improve generally, but it is not anticipated that the scarcities and excessive premium prices that prevailed in the past will return, at least with the force that they had before recent expansion activities. It should be borne in mind that, although the nickel expansion program under the Defense Production Act has resulted in the accumulation of large inventories of that metal oftentimes at premium prices, the activities under the Defense Production Act have achieved the real goal of that program—the expansion of the productive capacity of an industry that is vital to our national defense.

Senator CLARK. We have some additional questions which it might help the committee to have answered for the record.

Mr. HALE. What has GSA done that has resulted in a substantial increase in its use of the borrowing authority, which is limited to $2,100 million?

Mr. FLOETE. The borrowing authority represents the amount of funds that may be borrowed and used at any one time. The gross amount of new transactions has not increased substantially in the past year. However, many of the transactions that had been entered into in the past, for example in aluminum and copper, involved contingent obligations. One of the results of the current economic recession and the decline in the minerals and metals markets has been that many of these contingent obligations have ripened into demands for cash in return for materials tendered to the Government. At the same time, the depressed markets have impeded the sales of materials to industry, not only sales of materials such as nickel that had been regularly sold but also sales of aluminum and copper that were being acquired at a rapid rate. In addition, sales to the national stockpile were virtually discontinued because of a lack of appropriated funds. These factors combined so as to increase substantially the need for borrowings from the Treasury of the United States. The borrowings themselves create increased obligations for interest, and the accumulations of materials create increased operating and administrative expenses. The net effect was that the balance owing to the Treasury of the United States increased to $1,723,443,000 as of June 30, 1958. Because of the accelerated demands for cash, it is anticipated that the statutory limit on the use of the borrowing authority will be reached in fiscal year 1960; it could be reached at an earlier date.

Mr. HALE. Have the increased demands on the borrowing authority interfered with essential expansion programs?

Mr. FLOETE. The expansion goals under programs initiated under the Defense Production Act have generally been met or commitments have been entered into that will provide for their achievement. However, the objectives cannot be stated in terms of general achievements. An excess of preparedness in one program does not counterbalance a failure to meet the required goal in another program. The minimum required preparedness must be met in each program in order to satisfy the needs of national defense. The present needs for additional productive capacity are limited in number but the need for new obligations is known in a few fields: (1) New contracts for mica, a strategic and critical material for which the national stockpile still has a large need; (2) capital equipment for the production of jewel bearings needed for the national stockpile; and (3) a still undefined requirement under the existing marine turbine and gear program. Other requirements can be expected to develop in fields such as that of exotic fuels and high-temperature alloys. However, by their very nature those needs cannot be fully anticipated but are largely dependent on the results of research. In the absence of an indicated desire by Congress to provide relief from the pending encroachment on the borrowing-authority limitation, we have been hesitant to incur additional obligations, even of a contingent nature, although they would appear to be required by national defense.

While under current conditions of depressed markets in the metal industries generally, the outlook is for the exhaustion of the borrowing authority in 1960, changing conditions could materially alter the situation. If materials were tendered to GSA at a greater rate than anticipated, a more rapid exhaustion than contemplated would occur. On the other hand, substantial improvements in market conditions could create industrial demand which would forestall tenders to GSA, eliminating the drain on the borrowing authority and permitting new desired obligations to be incurred.

Senator CLARK. Senator Capehart and I have been impressed with the testimony given this morning and we will consult with the other members of the committee and determine whether it will be possible to report the bill out at once. We will expect to take some action on it one way or the other quite promptly.

We will include at the end of the hearing the reports of GSA and the Defense Minerals Exploration Administration and excerpts from the report on the borrowing authority, for the quarter ended March 31, 1958.

Thank you gentlemen, for coming down and your helpful testimony.

The hearing is recessed.

(Whereupon, at 11:38 a. m., the subcommittee recessed.)

APPENDIX

GENERAL SERVICES ADMINISTRATION,
Washington, D. C., June 3, 1958.

Hon. A. WILLIS ROBERTSON,
Chairman, Joint Committee on Defense Production,
United States Senate, Washington, D. C.
(Attention Mr. Harold J. Warren.)

DEAR MR. CHAIRMAN: Enclosed is a statement of GSA activities under the Defense Production Act, as amended, for the period January–March 1958. The statement is furnished as requested in your letter of August 8, 1957.

Sincerely yours,

FRANKLIN G. FLOETE, *Administrator.*

OPERATIONS OF THE GENERAL SERVICES ADMINISTRATION UNDER THE DEFENSE PRODUCTION ACT OF 1950, AS AMENDED, DURING THE 3-MONTH PERIOD JANUARY–MARCH 1958

Expansion programs certified to GSA

Gross transactions certified to the General Services Administration through March 31, 1958, for expansion programs under the Defense Production Act, as amended, totaled $7,769.1 million, for which the probable ultimate net cost to the Government was estimated at $917.7 million. In addition, an amount of $677.6 million was certified as working capital to carry inventories and assets for which disposition is not now foreseeable.

During the January–March 1958 period there were no new program certifications to GSA by the Office of Defense Mobilization.

Revisions in program certifications were received during the period involving increases in financial requirements as follows: gross transactions, $0.9 million; probable ultimate net costs, $57.4 million; and working capital, $275.3 million. These revisions included (1) $332 million working capital for the retention of aluminum and manganese inventories, and (2) revisions in financial requirements of bauxite, cobalt, lead, tin, tungsten, and zinc, due primarily to changed market prices or variations of accessorial costs and premiums from previous estimates.

Financial requirements

It was pointed out in the report to the joint committee for the period July–December 1957 that borrowing authority requirements probably would exceed the present authorization of $2.1 billion unless provision is made in the future for substantial disposals or reimbursable transfers to the national stockpile. GSA is presently discussing with ODM and the Bureau of the Budget the long-range financial requirements for this program and it is expected that the next report to the joint committee will include a statement on the outcome of these discussions.

Accelerated tax amortization

No certificates of necessity were recommended by GSA to ODM for consideration during the quarter. However, GSA recommended and ODM approved 3 scope amendments and 6 time extensions on existing certificates. At the end of March 1958, there were 10 applications for certificates pending with GSA; these applications were for uranium.

Loans and advances

The status of Government advances, loans, and guaranties for minerals and machine-tool programs under GSA is summarized below.

Advances.—At the end of March 1958, advances made by GSA for minerals and machine-tool expansion totaled $211.5 million. These advances from the inception of the program included $157.7 million for minerals projects and $53.8 million for machine-tool programs. A total of $30.5 million remained outstanding at the end of the period, practically the entire balance being for minerals projects.

During the 3-month period, advances of $3.3 million were made by GSA for nickel and $4.9 million for titanium contractors, and there were repayments to the Government of $24.9 million by titanium contractors, $6.4 million by nickel contractors, and $123,000 by manganese and tin contractors. The net reduction during the period in the total advances outstanding was about $23.2 million.

Advances to contractors for minerals expansion projects and machine tools, as of Mar. 31, 1958

Status	Total	Minerals projects	Machine tools
Disbursed	$211,516,702	$157,735,000	$53,781,702
Repaid	180,867,202	127,251,586	53,615,616
Written off	194,027	124,330	69,697
Outstanding	30,455,473	30,359,084	96,389

Government loans.—No new loans for materials expansion projects were made by either the Export-Import Bank of Washington or the Defense Lending Division, Department of the Treasury (formerly Reconstruction Finance Corporation) during the January–March 1958 period on the basis of certificates of essentiality from GSA. No certificates of essentiality were issued by GSA during the period for loans under section 302 of the Defense Production Act.

Guaranteed loans.—Pursuant to provisions of the Defense Production Act, GSA guarantees loans under Government contracts for the procurement of materials or the performance of services for the national defense. No new private bank loans were authorized during the period.

At the end of March 1958 there remained 4 guaranteed loans, involving a maximum authorization of $49,513,510, on which the outstanding balances totaled $45,745,810.

Operation of Government-owned plant

During the quarter year ending March 31, 1958, the Government-owned nickel plant at Nicaro, Cuba, produced a total of 12,391,000 pounds of nickel plus cobalt, at the annual rate of 50,252,000 pounds. Nickel sold during the quarter amounted to only 2,614,000 pounds; however, each month since the first of the calendar year showed a substantial increase over the January low.

The new research pilot plant and laboratory at Nicaro was reported as 97 percent complete on March 31. The railroad and mine expansion projects being performed to permit mining and processing Cuban Nickel Co. ores are scheduled for completion about June 1, 1958.

Minerals research and development

Synthetic mica.—One new contract was executed, covering research on the development of a satisfactory bonded, punchable, reconstituted, synthetic mica sheet. Also, negotiations were in progress with the Bureau of Standards for additional work on this subject.

The new contract is with Horizons, Inc., and covers a 2-year period at an estimated cost of $94,800. Date of execution of the contract was February 20, 1958.

With reference to research accomplished to date, in addition to previously mentioned results in making unbounded sheet, one contractor has made progress in true recrystallization—the formation of one large crystal from many small ones.

Natural mica.—A contract was executed for the design and manufacture of a machine to measure the waviness of natural mica. This contract with the American Research & Manufacturing Corp. was executed February 7, 1958, for a period of 6 months at an estimated cost of $14,073.

Selenium.—The final report of the Bureau of Mines on its contract indicated two potential sources of selenium in the United States capable of yielding substantial quantities of this metal, provided that satisfactory prices could be counted on for several years. One source is the phosphoria formation of carbonaceous phosphatic shales in southeastern Idaho, northeastern Utah, and southwestern Wyoming. The other source is certain uranium ore districts in west-central Wyoming, in north-central New Mexico, and in Emery County, Utah.

The final report on the contract for recovery of selenium from wild plants has not been received, but has been promised in the near future.

Titanium.—Work on the final design of the cell for the electrorefining of titanium metal to produce low-hardness material of high purity, being conducted by

the Bureau of Mines, has shown good progress. The cell feed development program is underway.

The design features of the explosion-proof, skull-type furnace for the melting and alloying of titanium for titanium-scrap recovery has been discussed with the National Research Corp., and progress is being made.

No new pilot-plant contracts on titanium were entered into during the period of this report.

Purchase contracts

There were no expansion-type contracts executed under Defense Production Act programs during the quarter.

GSA has been transmitting, on request of the joint committee, monthly reports on aluminum contracts under which reductions of contract expenditures have been effected. A GSA report pursuant to the request of March 19, 1958, from the joint committee listed reductions accomplished since June 30, 1957, in the obligations to purchase undelivered portions of materals under the Defense Production and the Strategic and Critical Materials Stock Piling Acts contracts.

A number of contract amendments during the period for nickel, copper, and cobalt are discussed in the section of this report on materials progress.

Foreign mica.—Additional contracts were finalized during the period for foreign mica amounting to a total of 1,980,000 pounds, of which a minimum of 990,000 pounds is to consist of strategic quality. This program, authorized by ODM, had previously been extended to June 30, 1962, to coincide with the domestic mica-purchase program. Gross transactions under these additional contracts total $10,568,000. Additional contracts under negotiation involve an estimated gross total of $5,200,000.

Materials progress

Aluminum.—Purchases of aluminum during the 3-month period totaled $64.7 million, as shown in the table of commodities purchased January–March 1958 under the Defense Production Act.

In this period, aluminum production from all facilities of the Aluminum Company of America, Kaiser Aluminum & Chemical Corp., and Reynolds Metals Co. totaled 768,280,000 pounds. Of this amount, 200,997,000 pounds were produced by new or expanded facilities covered by contracts made by the Government with these companies under authority of the Defense Production Act. It is estimated that 149,877,000 pounds of aluminum were made available to nonintegrated users, who fabricate but do not produce the metal, in accordance with the provisions of these contracts.

The producers during this period tendered to the Government 250,731,164 pound of their production during the production year ended March 31, 1958.

Cobalt.—Under contracts GS–OOP(D)–12205 and DMP–60, Falconbridge Nickel Mines, Ltd., agreed to slight reductions in the Government's obligation to purchase cobalt. This was part of a contract amendment involving nickel, copper, and cobalt.

Copper.—Falconbridge Nickel Mines, Ltd., has agreed to eliminate from contract GS–OOP(D)–12205 the right to put 10 million pounds of copper to the Government.

White Pine Copper Co. and San Manuel Copper Corp. continue to tender copper to the Government under the floor-price contracts. During the January–March 1958 quarter, each company tendered approximately 28 million pounds.

Nickel.—Diversions of nickel to United States industry were authorized for the January–March period, but results have been negligible.

The International Nickel Company of Canada, Ltd., has agreed, by amendment to its contract DMP–80, to defer deliveries of the 24 million pounds due at the rate of 2 million pounds during calendar 1958 on the following basis: The contractor may deliver up to 3 million pounds per month during October, November, and December 1958, but shall not be required to make such deliveries. The remainder of the 24 million pounds undelivered at the bginning of 1959 will be delivered in approximately equal monthly quantities during calendar 1959.

Falconbridge Nickel Mines, Ltd., has agreed (although the amendments to the contract had not been executed by the end of March 1958) to make certain changes in its nickel contracts, DMP–60 and GS–OOP(D)–12205, as follows: Under the latter contract, the contractor eliminates its option to put 20 million pounds of nickel and agrees to the elimination of 3,500,000 pounds of firm nickel due in 1961. The Government, on the other hand, gives up its right to call

30 million pounds of nickel under contract DMP–60 during the period of 1962 through 1967, and also agrees to an extension of 2 years (from June 30, 1962, to June 30, 1964) in which 15 million pounds of option nickel can be delivered to the Government by Falconbridge. The Government is not to pay any higher price for such deferred nickel than that in effect on June 30, 1962, but the price could be lower.

Falconbridge also agreed to changes in the copper and cobalt portions of these contracts, as reported under those subjects.

Rare earths and thorium.—Efforts were continued to sell the rare earth and thorium residues coming out of contract DMP–108 (Porter Bros. Corp.). Ways and means are being developed to simplify the packaging and analyzing of the residues for the negotiation of a satisfactory offer or offers.

Titanium.—As a result of the substantial decline in requirements for titanium sponge, it was necessary for Cramet, Inc., to cease operations at the Chattanooga plant financed by Government advances and to turn the plant over to the Government in settlement of the remainder of the advances made. Cramet, Inc., is acting as the Government's agent in physically shutting down operations and preserving the facilities, and seeking means to settle supply contracts for which the Government is liable. Meanwhile, some interest has developed in the facilities, and the GSA Public Buildings Service is offering the property for lease or sale. The cutoff date for receipt of proposals is June 18, 1958.

Another matter of interest concerning titanium is that Titanium Metals Corporation of America, having a contract with GSA, gave notice in March of its intention to retire in full the $15 million advance made for the installation of its facilities at Henderson, Nev. This advance has been reduced from a balance of $5 million to $23,000 in the last 9 months. The reduction was affected largely through the tendering of titanium sponge at the market price in lieu of cash, as permitted under the contract. This is a substantial anticipation of the contract.

Purchase programs

The volume of purchases under the domestic purchase regulations, issued pursuant to the Defense Production Act and Public Law 206 (83d Cong.), is shown in the accompanying table as of March 31, 1958.

The domestic (continental United States and the Territory of Alaska) and Mexican mercury purchase program regulations, which were revised in November 1957 and extended through December 31, 1958, were further revised with reference to packaging requirements. The packaging requirements now specified in the regulations are based on recommendations made by the Stanford Research Institute as the result of a research project on mercury packaging carried out by that organization.

Purchases under domestic purchase regulations (Defense Production Act and Public Law 206, 83d Cong.), as of Mar. 31, 1958

Program	Termination date	Program limitation	Units	Cumulative purchases [2] through—	
				June 30, 1957	Mar. 31, 1958
Asbestos [3]	Oct. 1, 1957	1,500	Short tons, crude No. 1 and 1/or crude No. 2.	1,499	1,499
			Short tons, crude No. 3.	850	850
Beryl	June 30, 1962	4,500	Short dry tons, beryl ore.	1,467	1,853
Chrome	June 30, 1959	200,000	Long dry tons, chrome ore and/or chrome concentrates.	150,715	184,088
Columbium-tantalum [3]	Dec. 31, 1958	15,000,000	Pounds contained combined pentoxide.	15,580,392	[5] 15,584,167
Manganese:					
Butte-Philipsburg, Mont.	June 30, 1958	6,000,000	Long-ton units, recoverable manganese.	4,106,196	5,745,916
Deming, N. Mex. [3]	do	6,000,000	do	6,215,258	6,215,258
Wenden, Ariz. [3]	do	6,000,000	do	6,108,316	6,108,316
Domestic small producers.	Jan. 1, 1961	28,000,000	Long-ton units, contained manganese.	13,719,226	17,928,301
Mercury:					
Domestic	Dec. 31, 1957	125,000	Flasks, prime virgin mercury.	5	8,596
Do	Dec. 31, 1958	[4] 30,000	do	0	2,720
Mexican	Dec. 31, 1957	75,000	do	0	766
Do	Dec. 31, 1958	[4] 20,000	do	0	1,100
Mica	June 30, 1962	25,000	Short tons, hand-cobbed mica or equivalent.	11,508	13,618
Tungsten [3]	July 1, 1958	3,000,000	Short-ton units, tungsten trioxide.	2,996,280	2,996,280

[1] Quantities represent deliveries.
[2] Program completed through purchases.
[3] Includes adjustments applicable to prior periods.
[4] Extension of prior limitation.

NOTE.—Chrome purchases are made under Public Law 520, 79th Cong. Columbium-tantalum regulation provided for both domestic and foreign purchases; report includes both. Excluded from this statement are the operations under Public Law 733, 84th Cong., which provides for purchases of domestic tungsten, asbestos, fluorspar, and columbium-tantalum.

Purchases, sales, and transfers under minerals contracts

During the quarter, minerals and metals costing $149 million were purchased under expansion contracts and $3.1 million worth were sold.

There were no new transfers of material in the DPA inventory to the national stockpile during the period. This was in accordance with the change in policy noted in the report to the joint committee as of December 31, 1957. Sales from DPA inventory during the period totaled $3.1 million.

At the end of the period, materials in the DPA inventory amounted to $1,027.3 million. This was an increase in inventory of $147.1 million during the 3-month period, and compares with $678.8 million at the beginning of the fiscal year in July 1957. The inventory included large values in tungsten ($325.4 million), aluminum ($218.8 million), titanium ($152.6 million), and metallurgical manganese ($111.0 million).

Commodities purchased under the Defense Production Act, January–March 1958

Commodity	Total purchases
Aluminum	$64,714,326
Bauxite	5,344,584
Beryl ore	77,605
Chrome	1,020,263
Cobalt and cobalt-nickel alloy	4,305,428
Columbium-tantalum	163,512
Copper	18,736,526
Cryolite	----------
Fluorspar	----------
Lead	368,833
Manganese	12,974,678
Mercury	2,296,314
Mica	1,489,617
Nickel	30,551,800
Titanium	7,736,529
Tungsten	(1,767)
Zinc	----------
Total	149,778,248

Inventory under the Defense Production Act (commodities in storage and transit), as of Mar. 31, 1958

Commodity	Unit of measure	Meeting stockpile specifications	Not meeting stockpile specifications	In transit	Total inventory	
					Quantity	Amount
Aluminum	Short ton	393,649	4,938	31,183	429,770	$218,810,493
Asbestos, chrysotile	do	1,499	850	----------	2,349	2,102,575
Bauxite	Long dry ton	823,461	----------	----------	823,461	10,929,149
Beryl ore	Short dry ton	731	512	----------	1,243	620,822
Bismuth	Pounds	22,901	----------	----------	22,901	52,362
Chrome	Long dry ton	36	528,354	----------	528,390	21,558,944
Cobalt and cobalt-nickel alloy	Pound	2,310,883	2,635,106	21,868	4,960,857	11,003,265
Columbium-tantalum	do	11,729,772	3,118,707	22,604	14,871,083	55,116,029
Malayan tin slag	do	----------	3,196,892	----------	3,196,892	1,496,693
Copper	Short ton	49,857	5,967	2,450	58,274	32,329,824
Cryolite	Short dry ton	----------	38,968	----------	38,968	10,760,467
Fluorspar, acid	do	18,581	----------	----------	18,581	1,394,453
Graphite	do	----------	533	----------	533	177,545
Lead	Short ton	3,015	----------	27	3,042	1,151,218
Manganese:						
Metallurgical	Long ton	34,762,590	26,615,244	1,859,716	63,237,550	111,033,297
Electrolytic	do	4,704	----------	----------	4,704	2,951,428
Synthetic dioxide	Long dry ton	1,905	----------	137	2,042	1,557,756
Mercury	Flask	7,094	----------	----------	7,094	1,596,112
Mica	Pound	136,470	1,557,506	139,353	1,833,329	11,696,246
Nickel	do	53,119,565	----------	10,274,219	63,393,784	51,718,090
Palladium	Troy ounce	7,884	----------	----------	7,884	177,312
Tin	Long ton	----------	537	----------	537	1,037,651
Titanium	Short ton	(1)	(1)	67	21,527	152,585,496
Tungsten	Pound, W	53,811,139	26,147,595	----------	79,958,734	325,411,731
Total in storage and in transit						1,027,268,958

[1] Final determination of quality pending.

Machine tools

Five machine-tool programs established by the Office of Defense Mobilization continued under GSA administration during the period.

Pool-order program.—During the January–March 1958 period, no additional tools were sold under the program. Total sales and transfers remained at 419 tools at a cost of $5.3 million. A total of 406 tools costing $5.1 million remained the property of the Government under this program. Most of the tools remaining in inventory are available for sale for the Government by the producers under sales and storage agreements with these producers.

Machine tool lease program.—There was a reduction during the period of 371 tools on lease costing $1.3 million, of which sales to lessees in possession totaled 47 items costing $0.8 million. At the end of March there remained on lease 155 items costing $2.5 million and there were in storage 295 [2] items costing $5.1 million.

Elephant machine tool program.—Contracts that have been made with the producers of extremely large tools cover a 10-year period during which the contractor is required to maintain the facilities in his plant ready for increased production of necessary tools. At the end of March 1958 there were 3 contracts for these facilities covering 321 items costing $5 million for acquisition, transportation, and installation.

M-day machine tool program.—This standby program would be activated in event of an emergency, and GSA has been authorized to enter into contracts with qualified producers, not to exceed $256 million in gross transactions with a probable ultimate net cost of $3 million. Although contracts are being made with producers, actual production will not be performed until M-day. For that reason no advance or expenditures will be made until the program is triggered by Government notice to producers. Under the terms of the contracts, working-capital advances may be made where needed up to 30 percent of the value of the items to be produced.

During the 3-month period 1 additional contract was tendered to producers for 5 items costing $0.3 million and amendments to existing contracts were also tendered, resulting in a total of 93 contracts tendered to producers for 15,363 items costing $237.1 million. Acceptances during the period totaled 809 items costing $20.8 million, which brought total acceptances to 83 contracts for 14,713 items costing $214.5 million as of March 31, 1958. Two contracts with a total value of $1.2 million had been rejected as of the same date.

Marine turbine and gear rounding-out program.—No contracts have been awarded under this program and further negotiations have been suspended pending a review of the program by the Business and Defense Services Administration of the Department of Commerce and by ODM.

OFFICE OF DEFENSE MOBILIZATION

Use and availability of funds authorized under the Defense Production Act, Mar. 31, 1958

[In thousands of dollars]

A. SUMMARY STATUS OF FUNDS

Congressional authorization to borrow		2,100,000
Funds allocated for programing		2,077,225
Unallocated reserve		22,775
Certifications outstanding		1,934,174
Uncertified allocations		143,051
Cumulative transactions with the Treasury:		
Borrowed gross [1]	1,881,231	
Repaid [1]	238,463	
Net amount due Treasury		1,642,768
Borrowing availability against certifications, and retained earnings of approximately $17 million		291,406
Borrowing availability, total		457,232
Undisbursed cash (estimate of borrowings not disbursed)		31,035
Borrowing availability plus cash		488,267

[1] Includes $116.1 million Treasury refinancing of loans.

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[2] Excludes institutional tools.

Use and availability of funds authorized under the Defense Production Act, Mar. 31, 1958—Continued

[In thousands of dollars]

B. STATUS OF FUNDS ALLOCATED, BY AGENCY

	Present allocation	Certifications outstanding	Balance uncertified
Total, secs. 302 and 303	2,077,225	1,934,174	143,051
1. Loans under sec. 302, total	306,000	236,720	69,280
Domestic loans, Treasury	256,000	202,330	53,670
Total loans certified		(386,745)	
Less repayments and cancellations		(184,415)	
Foreign loans, Export-Import Bank	50,000	34,390	15,610
Loans certified and disbursed		(43,838)	
Capitalized compound interest		1,280	
Total certification		45,118	
Less repayments		10,728	
2. Purchase programs, exploration assistance and working capital advances under sec. 303, total	1,771,225	1,697,454	73,771
General Services Administration	1,665,000	1,595,325	69,675
Purchase programs (PUNC [2])		(917,678)	
Working capital		(677,647)	
Defense Minerals Exploration Administration assistance (PUNC [1])	38,800	35,793	3,007
Department of Agriculture (purchase programs (PUNC [1])	65,825	64,736	1,089
Treasury Department purchase program, tin (PUNC [1])	1,600	1,600	0

C. DETAIL OF PROGRAMS CERTIFIED, BY AGENCY

	Outstanding working capital including contingent liability	Net change since Dec. 31, 1957
1. Loans under sec. 302, total certified	236,720	+701
(a) Domestic loans, Treasury [3]	202,330	+701
Loan categories:		
Facility	183,115	+420
Working capital	1,540	+257
Agricultural	148	−8
Rehabilitation (disaster)	17,527	[4] +1,386
(b) Foreign loans, Export-Import Bank	34,390	0
Loan categories:		
Sisal	32	0
Copper	18,078	0
Manganese (including capitalized interest)	16,280	0
Molybdenum	0	0
Zinc	0	0

[1] Includes $116.1 million Treasury refinancing of loans.
[2] PUNC=Probable ultimate net cost to the Government.
[3] Includes private banks' share of commitments amounting to 2,131.
[4] Rehabilitation loans are actually down to 15,815 from 16,141, Government's share, for this quarter.

Use and availability of funds authorized under the Defense Production Act, Mar. 31, 1958—Continued

[In thousands of dollars]

	PUNC	Working capital	Total	Net change since Dec. 31, 1957 [5]
2. Purchase programs, exploration assistance and working capital advances under sec. 303, total	1,019,807	677,647	1,697,454	+333,224
(a) General Services Administration	917,678	677,647	1,595,325	+332,602
Aluminum	17,734	260,000	277,734	+260,000
Asbestos chrysotile	752	1,395	2,147	0
Bauxite Jamaica	95	0	95	+95
Beryllium	1,092	165	1,257	0
Bismuth	0	0	0	0
Chrome	21,648	16,613	38,261	0
Cobalt	8,036	13,000	21,036	+1,443
Columbium-tantalum	52,869	19,811	72,680	0
Copper	(855)	0	(855)	0
Nonferrous scrap	107	0	107	0
Cryolite	1,786	10,134	11,920	0
Dolomite	0	0	0	0
Fluorspar	3,908	0	3,908	0
Graphite	899	0	899	0
Lead	2,596	0	2,596	+706
Machine tools	13,900	0	13,900	0
Machine tool, M-day pool	3,000	18,000	21,000	0
Machine tool, elephant	3,000	0	3,000	0
Magnesium	18,390	0	18,390	0
Manganese battery synthetic	0	0	0	0
Manganese (metallurgical)	109,831	72,000	181,831	+72,000
Manganese (electrolytic)	0	2,950	2,950	0
Marine turbine	50,000	0	50,000	0
Mercury	0	0	0	0
Mica	38,045	29,250	67,295	0
Minerals development program	319	0	319	0
Molybdenum	4,256	20,688	24,944	0
Natural rubber	(7,149)	0	(7,149)	0
Nickel	125,556	0	125,556	0
Rutile	11	0	11	0
Selenium	288	0	288	0
Tin	3,949	1,040	4,989	+97
Titanium	107,664	91,700	199,364	0
Tungsten	213,677	120,901	334,578	−1,788
Zinc	7,191	0	7,191	+79
Administrative expense	18,725	0	18,725	0
U. S. Treasury interest expense	88,078	0	88,078	0
Custodial expense	8,280	0	8,280	0
(b) Defense Minerals Exploration Administration	35,793			+532
Antimony	389			0
Asbestos	402			+12
Beryl-mica	281			+13
Chromium	76			−5
Cobalt-nickel	1,148			+12
Columbium-tantalum	59			0
Copper	1,798			+30
Corundum	51			0
Fluorspar	303			+11
Graphite	1			0
Iron	198			0
Lead-zinc	8,734			+150
Lead-zinc-copper	4,523			+75
Manganese	1,382			−25
Mercury	2,030			−13
Mica	2,442			+80
Molybdenum	274			0
Monazite	133			0
Platinum	36			0
Rutile	90			+20
Sulphur	57			0
Talc	40			0
Thorium	182			0
Tin	490			0
Tungsten	3,907			−18
Uranium	6,767			+190

Use and availability of funds authorized under the Defense Production Act, Mar. 31, 1958—Continued

[In thousands of dollars]

	PUNC	Working capital	Total	Net change since Dec. 31, 1957 [1]
2. Purchase programs, exploration assistance and working capital advances under sec. 308, total—con.				
(c) Department of Agriculture	64,736			0
American-Egyptian cotton	9,608			0
American-Egyptian cottonseed	178			0
Castor bean equipment	7			0
Castor beans, 1951	300			0
Castor beans, 1952	1,713			0
Castor beans, 1953	3,097			0
Castor beans, 1954	660			0
Castor beans, 1956	13			0
Kenaf seed and fiber, 1950, 1951, 1952	1,388			0
Linseed oil	43,685			0
Tung oil	72			0
U. S. Treasury interest	4,015			0
(d) Treasury Department (RFC) Tin	1,600			0

[1] Net increases since Dec. 31, 1957.

PUNC	57,419
Working capital	282,403
	339,822

( ) Profit.

Defense Minerals Exploration Administration Report for First Quarter, 1958 (Months of January, February, and March)

Progress of the Defense Minerals Exploration Administration program for the first quarter of the calendar year 1958 was reflected in the accomplishments and activities reported below:

Sixty-five applications received

Applications for 65 new projects located in 17 States and Alaska were received in the first quarter of the calendar year 1958, bringing the total number of applications received since the start of the program to 3,785. The 65 new applications requested aid in exploration projects for 15 strategic and critical minerals at a total estimated cost of approximately $4,868,000. The estimated cost of individual projects in this group ranged from $4,543 to $935,541.

Fifteen exploration contracts executed

During the months of January, February, and March of this year, 15 contracts for exploration assistance were executed. As of March 31, 1958, the total number of contracts executed by the DMEA was 1,107. The cost of the work authorized under the 15 new contracts was estimated to be $486,938, of which the Government would participate to the maximum extent of $338,494. The largest of the new contracts provided for a total expenditure of $106,780, on a zinc project in Tennessee, the Government to furnish 50 percent of the funds. The smallest new contract executed during this period was for $4,740, on a uranium project in Nevada, with Government participation of 75 percent of the total cost.

Amendments entered into during the first quarter on contracts already executed totaled 70, of which 3 charged the previous estimated costs. The net result of these changes was an increase of $7,682 in the total estimated cost authorized during this period, and $3,338 in the maximum amount of the Government's participation.

In addition to the applications that resulted in contracts, 35 applications were denied and 14 were withdrawn during the same quarter.

Eight certifications of discovery or development issued

The DMEA issued 8 certifications of discovery or development on successful projects during the period January 1 through March 31, 1958. These 8 certifications were on projects located in 6 States and involved a search for 4 different minerals. A total of 324 certifications have been issued as of March 31, 1958. the total estimated cost of these 324 certified projects was $21,226,286, and the Government's contribution was estimated to be $13,256,447. At the end of the first quarter of this year, only $10,708,192 of Government funds had been expended on the 324 certified projects; however, 17 of them had not been completed or terminated and additional funds are expected to be expended on some of these projects.

Three hundred and forty-six exploration projects have found ore

In addition to the 324 certified projects, 22 others have found sufficient ore to indicate the probability of their being certified when the exploration work has advanced sufficiently to permit an evaluation of the ore showings. During the first quarter, 44 certified projects paid royalties of $133,332 to the Government and 26 uncertified projects paid $40,193. Four of these 26 projects paid under royalty agreements. During the life of the program, royalties amounting to $2,008,880 have been received on 223 certified projects, and $336,953 on 127 uncertified projects, 18 of which have paid under royalty agreements. Thirty-one certified projects have repaid in full the amounts contributed by the Government aggregating $492,281. Total royalties paid to the Government amount to $2,345,833. The net recoverable value of the minerals produced, on which royalties have been paid, is approximately $48,871,000. The potential ore reserves on the 324 certified projects are estimated to have a net recoverable value of $466 million at current market prices.

Audits completed

The DMEA Contract Administration and Audit Division completed 34 cost audit reports and reports of review during the first quarter of 1958. Through March 31, 1958, 148 final audits, 742 reports of review, and 196 interim audits had been made. The total of 1,086 reports released by the Division covers 913 projects, of which 23 are still operating under DMEA contracts. Government participation in the accepted costs on the 913 audited projects was $17,454,727, or 84 percent of the total disbursements made on all projects since the beginning of the program.

During the same quarter, 40 audit certificates and reports of review on royalty payments were completed by the DMEA auditors, bringing the total to 284 since these procedures were adopted. Sales of minerals totaling $3,572,904 were audited and royalties amounting to $180,131 were verified during the period of this report. Total sales of minerals amounting to $27,014,831, on which royalties amounting to $1,315,579 were verified, have been audited since the start of auditing procedures for royalty payments.

Statistical summary of operations

The attached tables give a summary of operations under the exploration program to date. Tables I, II, and III present current data on commodity, State, and regional distribution of contracts. Table IV shows disbursements of Government funds; table V gives contract data on certified projects as well as terminated projects; and table VI gives a recapitulation of activities during the first quarter of 1958. Chart I is a presentation of the current status of all applications received.

[Attachments]

U. S. Department of the Interior

Defense Minerals Exploration Administration

Report of exploration assistance applications for March 1958

	Number of applications
1. Applications in process:	
As of Feb. 28, 1958	131
Received during March 1958	26
Total in process	157
A. Actions completed:	
Contracts executed	6
Applications denied	18
Applications withdrawn	7
Total completed	31
Total in process as of Mar. 31, 1958	126
B. Stages of completion:	
Preliminary analysis in Washington office	11
Awaiting additional information from applicant	3
With field teams for on-site examination	66
Final stage of processing	46
Total in process as of Mar. 31, 1958	126
C. Location of applications in process, Washington office divisions:	
Base metals	16
Iron and ferroalloys	6
Nonmetallic minerals	20
Rare and miscellaneous metals	18
Solicitor's office	0
Total in Washington office	60
Field teams (for on-site examinations):	
Region I	9
Region II	6
Region III	20
Region IV	1
Region V	30
Total in field	66
Total in process as of Mar. 31, 1958	126

2. Commodity distribution of applications received during March 1958:

Commodity	Number of applications	States
Cobalt-nickel	2	Alaska, Maine.
Fluorspar	2	Kentucky.
Lead-zinc	1	Missouri.
Manganese and fluorspar	1	Colorado.
Manganese and lead-zinc	1	Montana.
Mercury	1	Oregon.
Mica	9	Georgia (2), New Hampshire (1), North Carolina (6).
Molybdenum	1	California.
Thorium and rare earths	2	Idaho.
Uranium	6	Colorado (2), Utah (1), Washington (2), Wyoming (1).
Total	26	

3. Summary of actions taken on applications received to date:	*Number*
Applications approved and contracts executed	1,107
Applications denied	1,873
Applications withdrawn	679
Applications in process	126
Total number of applications received	3,785

Contracts executed during March 1958

Name of operator	County	State	Commodity	Government participation	Total value
Douglas Corp	Converse	Wyoming	Uranium	$17,964	$23,952
Huskins, Huskins & Petty	Mitchell	North Carolina	Mica	3,573	4,764
New Jersey Zinc Co	Hancock	Tennessee	Zinc	53,390	106,780
Phillips, Cecil R., et al	Yancey	North Carolina	Mica	4,818	6,424
Stocks-Gramlich, Inc	San Juan	Utah	Uranium	21,215	28,286
Kohlmoos, Wm. Brandt, & Corder, Ted.	Nye	Nevada	do	3,555	4,740
Total				104,515	174,946

NOTE.—In addition to the above-listed executed contracts, 17 contracts have been approved but not yet executed by applicants, amounting to $416,709 Government participation and $680,161 total value.

Contracts terminated during March 1958

Name of operator	County	State	Commodity	Government participation	Total value
Daubert Chemical Co	San Juan	Utah	Uranium	$20,106	$26,808
Four Corners Uranium	Emery	do	do	76,944	102,592
Paul S. Huskins et al	Mitchell	North Carolina	Mica	3,156	4,208
Murphy Mining Co	Yancey	do	do	3,177	4,236
New Idria Mining & Chemical Co.	Mesa	Colorado	Uranium	40,083	53,444
New Wellington Mines, Ltd	Clallam	Washington	Manganese	11,160	14,880
Pacific Northwest Mining Co	Stevens	do	Lead-zinc	14,605	29,210
Pioneer Corporation of Idaho	Missoula	Montana	Manganese	16,185	21,580
Western Resources, Inc	Juab	Utah	Copper-lead-zinc	16,634	33,268
Total				202,050	290,226

Contracts certified during March 1958

Name of operator	County	State	Commodity	Government participation	Total value
Charles M. Coleman et al	Fremont	Wyoming	Uranium	$13,737.00	$18,316.00
Cordero Mining Co	Pershing	Nevada	Tungsten	42,940.35	57,253.80
Total				56,677.35	75,569.80

Contract amendment data

	Total number	Number changing dollar amounts	Net dollar changes	
			Government participation	Total value
Current month	26			
Total for program	2,315	210	$3,718,233	$6,157,303

TABLE I.—*Defense Minerals Exploration Administration contracts executed and in force—Commodity distribution*

Commodity	Contracts executed in March 1958			Contracts executed through Mar. 31, 1958			Contracts canceled and terminated through Mar. 31, 1958			Contracts in force as of Mar. 31, 1958			Percent distribution of Government participation
	Number	Government participation	Value of contract	Number	Government participation	Value of contract	Number	Government participation	Value of contract	Number	Government participation	Value of contract	
Antimony				12	$368,352	$491,136	12	$368,352	$491,136				
Asbestos				19	579,881	644,311	19	579,881	644,311				
Beryl-mica				23	261,310	292,243	23	261,310	292,243				
Chromium				2	37,825	75,649	2	37,825	75,649				
Cobalt-nickel				10	1,380,222	2,086,112	7	829,069	1,183,112	3	$551,153	$903,000	5.2
Columbium-tantalum				3	47,005	52,228	3	47,005	52,228				
Copper				52	1,736,780	3,473,562	44	1,532,932	3,065,870	8	203,848	407,692	1.9
Corundum				1	32,400	36,000	1	32,400	36,000				
Fluorspar				17	245,052	480,103	15	217,107	424,213	2	27,945	55,890	.3
Graphite				1	925	1,850	1	925	1,850				
Iron				4	283,400	566,800	4	283,400	566,800				
Lead-zinc	1	$53,390	$106,780	199	8,584,769	17,176,108	166	5,557,428	11,121,560	33	3,027,341	6,054,548	28.7
Lead-zinc-copper				59	4,097,132	8,194,402	42	2,076,564	4,153,122	17	2,020,568	4,041,280	19.2
Manganese				30	1,258,696	1,699,647	22	485,338	668,505	8	773,358	1,031,142	7.3
Mercury				42	2,062,254	2,749,672	25	946,757	1,262,341	17	1,115,497	1,487,331	10.6
Mica	2	8,391	11,188	287	1,346,274	1,646,661	276	1,287,372	1,568,027	11	58,902	78,634	.6
Molybdenum				1	255,250	510,500				1	255,250	510,500	2.4
Monazite				5	106,452	122,759	5	106,452	122,759				
Platinum				1	24,300	30,000	1	24,300	30,000				
Rutile				2	33,171	44,228	1	15,675	20,900	1	17,496	23,328	.2
Sulfur				3	138,120	276,239	3	138,120	276,239				
Talc				1	29,267	32,519	1	29,267	32,519				
Thorium				8	159,484	189,248	5	109,517	122,626	3	49,967	66,622	.5
Tin				5	481,348	534,831	4	437,310	485,900	1	44,038	48,931	.4
Tungsten				126	3,740,576	5,008,124	113	2,943,205	3,940,293	13	797,371	1,067,831	7.6
Uranium	3	42,734	56,978	194	6,059,189	7,773,558	150	4,472,880	5,658,484	44	1,586,309	2,115,074	15.1
Total	6	104,515	174,946	1,107	33,349,434	54,188,490	945	22,820,391	36,296,687	162	10,529,043	17,891,803	100.0

TABLE II.—*Defense Minerals Exploration Administration contracts executed and in force—State distribution*

State	Region	Contracts executed in March 1958			Contracts executed through Mar. 31, 1958			Contracts canceled and terminated through Mar. 31, 1958			Contracts in force as of Mar. 31, 1958			Percent distribution of Government participation
		Number	Government participation	Value of contract	Number	Government participation	Value of contract	Number	Government participation	Value of contract	Number	Government participation	Value of contract	
Alabama	V				6	$148,735	$266,986	6	$148,735	$266,986				
Alaska	I				20	1,397,749	1,818,021	15	1,056,958	1,359,053	5	$340,791	$458,968	3.2
Arizona	III				40	1,178,322	1,868,191	38	1,113,840	1,752,623	2	64,482	115,568	.6
Arkansas	IV				5	129,685	172,913	5	129,685	172,913				
California	II				63	2,434,181	3,522,436	48	1,493,132	2,171,867	15	941,049	1,350,569	8.9
Colorado	III				143	3,443,378	5,259,630	119	2,533,478	3,835,460	24	909,900	1,424,170	8.6
Florida	V				1	15,675	20,900	1	15,675	20,900				
Georgia	V				21	119,403	148,629	18	105,222	129,721	3	14,181	18,908	.1
Idaho	I				85	6,231,052	11,419,498	66	3,428,343	6,054,168	19	2,802,709	5,365,330	26.6
Illinois	V				7	139,080	275,349	7	139,080	275,349				
Iowa	V				1	14,850	29,700	1	14,850	29,700				
Kentucky	V				3	37,843	75,686	2	14,898	29,796	1	22,945	45,890	.2
Maine	V				1	40,140	44,600	1	40,140	44,600				
Maryland	V				1	3,779	7,558	1	3,779	7,558				
Michigan	V				2	340,651	681,303	1	284,096	568,193	1	56,555	113,110	.6
Missouri	IV				11	926,774	1,696,933	7	67,411	134,823	4	859,363	1,562,110	8.2
Montana	I				70	2,075,025	3,201,183	60	1,249,725	2,047,836	10	825,300	1,153,347	7.8
Nevada	II	1	3,555	4,740	62	1,732,978	2,828,914	51	1,431,360	2,345,734	11	301,618	483,180	2.9
New Hampshire	V				5	29,034	32,510	5	29,034	32,510				
New Jersey	V				2	142,775	285,550	2	142,775	285,550				
New Mexico	III				30	1,711,494	2,844,207	27	1,358,732	2,203,691	3	352,762	640,516	3.4
New York	V				1	8,265	11,020	1	8,265	11,020				
North Carolina	V	2	8,391	11,188	262	1,436,057	1,775,476	254	1,216,839	1,483,091	8	219,218	292,385	2.1
Oklahoma	IV				2	84,952	163,725	2	84,952	163,725				
Oregon	I				13	262,044	361,792	7	153,345	214,460	6	108,699	147,332	1.0
South Carolina	V				3	56,373	69,021	3	56,373	69,021				
South Dakota	III				25	347,143	415,924	22	243,977	288,157	3	103,166	127,767	1.0
Tennessee	V	1	53,390	106,780	13	1,610,140	3,214,265	3	593,393	1,180,770	10	1,016,747	2,033,495	9.7
Texas	V				10	408,940	601,904	7	322,233	465,668	3	86,707	136,236	.8
Utah	III	1	21,215	28,286	103	4,438,924	6,967,264	91	3,476,597	5,332,777	12	962,327	1,634,487	9.1
Vermont	V				5	212,101	286,442	5	212,101	286,442				
Virginia	V				14	195,876	357,163	8	116,677	210,427	6	79,199	146,736	.8
Washington	I				43	991,793	1,804,283	37	867,264	1,611,646	6	124,529	192,637	1.2
Wisconsin	V				15	363,441	729,584	15	363,441	729,584				
Wyoming	III	1	17,964	23,952	19	640,782	929,930	9	303,986	480,868	10	336,796	449,062	3.2
Total		6	104,515	174,946	1,107	33,349,434	54,188,490	945	22,820,391	36,296,687	162	10,529,043	17,891,803	100.0

TABLE III.—*Defense Minerals Exploration Administration contracts executed and in force—regional distribution*

	Contracts executed in March 1958			Contracts executed through Mar. 31, 1958			Contracts canceled and terminated through Mar. 31, 1958			Contracts in force as of Mar. 31, 1958			Percent distribution of Government participation
	Number	Government participation	Value of contract	Number	Government participation	Value of contract	Number	Government participation	Value of contract	Number	Government participation	Value of contract	
Region I				231	$10,957,663	$18,604,777	185	$6,755,635	$11,287,163	46	$4,202,028	$7,317,614	40.0
Region II	1	$3,555	$4,740	125	4,167,159	6,351,350	99	2,924,492	4,517,601	26	1,242,667	1,833,740	11.8
Region III	2	39,179	52,238	360	11,760,043	18,285,146	306	9,030,610	13,893,576	54	2,729,433	4,391,570	25.9
Region IV				28	1,550,351	2,635,475	21	604,281	937,129	7	946,070	1,698,346	8.9
Region V	3	61,781	117,968	363	4,914,218	8,311,742	334	3,505,373	5,661,218	29	1,408,845	2,650,524	13.4
Total	6	104,515	174,946	1,107	33,349,434	54,188,490	945	22,820,391	36,296,687	162	10,529,043	17,891,803	100.0

TABLE IV.—*Defense Minerals Exploration Administration disbursements, by region and by month*

REGIONAL DISTRIBUTION AS OF MAR. 31, 1958

	Regional disbursements
Region I	$7,172,188.62
Region II	2,653,490.36
Region III	6,810,583.61
Region IV	786,148.52
Region V	3,338,114.92
Total	20,760,526.03

MONTH-BY-MONTH RECAPITULATION

Month	Month-by-month disbursement	Cumulative disbursement data	Month	Month-by-month disbursement	Cumulative disbursement data
1951—July	$12,125.62	$12,125.62	1954—December	$261,031.26	$11,711,921.29
August	64,764.53	76,890.15	1955—January	158,394.47	11,870,315.76
September	238,885.60	315,775.75	February	233,915.43	12,104,231.19
October	229,621.57	545,397.32	March	223,593.60	12,327,824.79
November	211,127.61	756,524.93	April	228,966.08	12,550,970.67
December	217,054.64	973,579.57	May	206,502.41	12,757,473.08
1952—January	261,280.43	1,234,860.00	June	130,255.97	12,887,729.05
February	245,613.20	1,480,473.20	July	271,065.54	13,158,794.59
March	231,786.38	1,712,259.58	August	243,189.30	13,401,983.89
April	298,113.56	2,010,373.14	September	189,620.69	13,591,604.58
May	346,528.97	2,356,902.11	October	235,965.74	13,827,570.32
June	329,879.73	2,686,781.84	November	270,902.01	14,098,472.33
July	318,734.92	3,005,517.76	December	231,812.40	14,330,284.73
August	307,488.00	3,313,004.76	1956—January	198,272.86	14,528,557.59
September	316,037.14	3,629,041.90	February	294,737.03	14,823,294.62
October	714,966.75	4,344,008.65	March	191,045.49	15,014,340.11
November	450,223.06	4,794,231.71	April	293,718.26	15,308,058.37
December	347,056.64	5,141,288.35	May	269,458.23	15,577,516.60
1953—January	451,802.16	5,593,090.51	June	288,413.05	15,865,929.65
February	305,978.26	5,899,068.71	July	261,991.74	16,127,921.39
March	358,390.45	6,257,459.22	August	229,451.95	16,357,373.34
April	306,482.97	6,563,942.19	September	275,052.02	16,632,425.36
May	182,194.01	6,746,136.20	October	321,393.44	16,953,818.80
June	331,219.20	7,077,355.40	November	196,186.64	17,150,005.44
July	301,141.12	7,378,496.52	December	267,647.80	17,417,653.24
August	384,541.11	7,763,037.63	1957—January	268,718.05	17,686,371.29
September	312,607.92	8,075,645.55	February	308,062.23	17,994,433.52
October	387,113.53	8,462,759.08	March	244,145.08	18,238,578.60
November	242,030.86	8,704,789.94	April	234,424.80	18,473,003.20
December	314,724.19	9,019,514.13	May	154,271.03	18,627,274.23
1954—January	279,962.78	9,299,476.91	June	168,752.79	18,796,027.02
February	189,661.43	9,489,138.34	July	232,927.72	19,028,954.74
March	322,197.90	9,811,336.24	August	238,039.17	19,266,993.91
April	182,113.97	9,993,450.21	September	196,805.19	19,463,799.10
May	205,703.56	10,199,153.77	October	260,631.41	19,724,430.51
June	252,839.69	10,451,993.46	November	192,717.91	19,917,148.42
July	158,996.08	10,610,989.54	December	291,656.95	20,208,805.37
August	221,758.43	10,832,747.97	1958—January	189,258.14	20,398,063.51
September	227,204.33	11,059,952.30	February	176,812.30	20,574,875.81
October	189,222.71	11,249,175.01	March	185,650.22	20,760,526.03
November	201,715.02	11,450,890.03			

TABLE V.—*Defense Minerals Exploration Administration terminated and certified projects*

Commodity	Projects terminated (including certifications) through Mar. 31, 1958 [1]				Certified projects which had been terminated through Mar. 31, 1958				Certified projects which were in force as of Mar. 31, 1958			
	Number	Government participation	Value of contract	Government participation spent	Number	Government participation	Value of contract	Government participation spent	Number	Government participation	Value of contract	Government participation spent
Antimony	11	$366,372	$488,496	$286,070	4	$229,958	$306,611	$204,802				
Asbestos	18	545,591	666,211	249,406	4	110,025	122,250	88,967				
Beryl-mica	20	203,262	227,744	98,920	8	[2] 47,760	[2] 53,067	[2] 37,505				
Chromium	2	37,825	75,649	28,297	1	25,737	51,474	21,636				
Cobalt-nickel	7	829,069	1,183,112	433,984	2	448,343	640,490	253,668	1	$448,208	$739,800	$389,055
Columbium-tantalum	3	47,005	52,228	30,625	2	43,821	48,690	29,314				
Copper	37	1,363,237	2,726,477	975,619	15	826,942	1,653,886	672,980				
Corundum	1	32,400	36,000	32,400	1	32,400	36,000	32,400				
Fluorspar	14	213,201	416,401	141,598	6	113,207	216,414	86,851				
Graphite	1	925	1,850	889								
Iron	4	283,400	566,800	141,340	3	259,350	518,700	134,813				
Lead-zinc	147	5,284,463	10,575,632	3,926,626	59	[2] 2,757,962	[2] 5,522,625	[2] 2,333,075	6	653,100	1,306,201	491,142
Lead-zinc-copper	36	1,990,385	3,980,767	1,652,294	10	869,137	1,738,274	845,355	2	77,080	154,160	54,645
Manganese	20	483,128	665,557	263,829	7	183,488	266,037	121,037	1	81,383	108,511	44,440
Mercury	21	794,557	1,059,409	474,473	7	197,259	263,013	169,821	3	443,255	591,006	379,274
Mica	269	1,258,124	1,532,872	924,398	63	385,753	458,813	338,632				
Monazite	5	106,452	122,759	76,237	4	80,509	93,934	61,973				
Platinum	1	24,300	30,000	16,812								
Rutile	1	15,675	20,900	15,209	1	15,675	20,900	15,209				
Sulfur	2	89,280	178,560	28,595	1	39,705	79,410	23,706				
Talc	1	29,267	32,519	11,662	1	29,267	32,519	11,662				
Thorium	5	109,516	122,626	75,130	2	34,669	38,526	25,851				
Tin	4	437,310	485,900	389,060	2	404,910	449,900	358,174				
Tungsten	103	2,804,978	3,755,993	1,942,420	49	1,951,498	2,601,995	1,519,654	1	42,940	57,254	29,976
Uranium	140	4,256,211	5,394,301	2,819,545	53	2,271,618	2,859,014	1,879,676	3	105,731	140,974	52,899
Total	873	21,605,933	34,338,763	15,035,438	305	11,358,993	18,072,542	9,266,761	17	1,851,697	3,097,906	1,441,431

[1] In addition to these formal certifications royalty agreements have been made with operators on 62 contracts having an aggregate cost of $8,563,087 with Government participation of $4,510,638.

[2] 2 projects which are classified as "cancellations"—i. e., no Government funds were spent—have been certified. The footnoted figures above do not include the combined contract value of $55,838 or Government participation of $45,759 on these 2 projects.

TABLE VI.—*Contracts and amendments executed during the months of January, February, and March 1958*

COMMODITY DISTRIBUTION

Commodity	Number	Government participation	Value of contract
Cobalt-nickel		[1] $4,739	[1] $9,550
Lead-zinc	1	53,390	106,780
Manganese	2	[1] 43,293	[1] 57,724
Mercury	1	12,390	16,520
Mica	2	9,351	[1] 12,468
Uranium	9	218,669	291,558
Total	15	341,832	494,600

STATE DISTRIBUTION

State	Region	Number	Government participation	Value of contract
Arizona	III	1	$54,468	$72,624
California	II	2	48,405	64,540
Colorado	III	3	33,978	45,304
Georgia	V		[1] 960	[1] 1,280
Idaho	I		[1] 4,739	[1] 9,550
Nevada	II	2	13,194	17,592
New Mexico	III		[1]—2,361	[1]—3,148
North Carolina	V	2	8,391	11,188
Tennessee	V	1	53,390	106,780
Utah	III	1	21,213	28,286
Wyoming	III	3	105,453	140,604
Total		15	341,832	494,600

REGIONAL DISTRIBUTION

	Number	Government participation	Value of contract
Region I		[1] $4,739	[1] $9,550
Region II	4	61,599	82,132
Region III	8	[1] 212,753	[1] 283,670
Region V	3	[1] 62,741	[1] 119,248
Total	15	341,832	494,600

[1] Includes amendments executed during January, February, and March 1958 which increased contract amounts.

REPORT ON BORROWING AUTHORITY, MARCH 31, 1958 [1]

Report to the Congress pursuant to section 304b of the Defense Production Act, as amended

TABLE 1.—*Allocation, certification and balance of borrowing authority available under the Defense Production Act as amended, as of Mar. 31, 1958*

[Thousands of dollars]

Activities	Allocations and reserves	Certifications				Repayments	Balance available for program
		Working capital		Probable ultimate net cost	Total		
		Loans	Revolving funds				
Under sec. 302:							
Department of Treasury	$256,000	$386,745			$386,745	$184,415	$53,670
Export-Import Bank	50,000	45,118			45,118	10,728	15,610
Total	306,000	431,863			431,863	195,143	69,280
Under sec. 303:							
General Services Administration	1,665,000		$677,647	$917,678	1,595,325		69,675
Department of Treasury	1,600			1,600	1,600		
Department of Interior	38,800			35,793	35,793		3,007
Department of Agriculture	65,825			64,736	64,736		1,089
Total	1,771,225		677,647	1,019,807	1,697,454		73,771
Total (secs. 302, 303)	2,077,225	431,863	677,647	1,019,807	2,129,317	195,143	143,051
Reserve unallocated by Office of Defense Mobilization	22,775						22,775
Total fund	2,100,000						
Total available for new program							165,826

TABLE 2.—*Utilization of authority to borrow from U. S. Treasury, as of Mar. 31, 1958*

[Thousands of dollars]

Agencies authorized to borrow from U. S. Treasury	Total borrowing authority allocated	Transactions with U. S. Treasury			Available for borrowing
		Cumulative amount		Balance outstanding	
		Borrowed	Repaid		
Total	$2,077,225	$1,890,131	$247,364	$1,642,767	$434,458
General Services Administration	1,665,000	1,488,700	125,000	1,363,700	301,300
Department of Treasury (RFC)	257,600	276,355	108,520	167,835	89,765
Export-Import Bank	50,000	45,643	13,844	31,799	18,201
Department of Agriculture [1]	65,825	50,433	0	50,433	15,392
Department of Interior	38,800	29,000	0	29,000	9,800

[1] In addition, CCC funds are being used temporarily in lieu of borrowing from the Treasury.

[1] Executive Office of the President, Office of Defense Mobilization. Prepared by General Services Administration.

TABLE 4.—*Programs arranged in order of magnitude, Mar. 31, 1958*

GROSS TRANSACTIONS CONSUMMATED

Program	Amount	Program	Amount
	Thousands		*Thousands*
Total	$7,758,275	Copper and cobalt	$22,400
		Castor beans	22,098
Aluminum	1,551,111	Lead	21,057
Machine tools (pool order and lease)	1,285,595	Dolomite	20,000
Rubber	882,671	Rehabilitation loans	18,670
Copper	788,016	Machinery and components	17,407
Nickel	784,327	American-Egyptian cotton	16,338
Manganese	482,406	Fluorspar	15,966
Tungsten	373,263	Aircraft and aircraft parts	15,744
Titanium	227,944	Cryolite	15,538
Tin	221,553	Electric, electronics, X-ray, etc	14,777
Cobalt	130,612	Lead-zinc	8,734
Magnesium	129,480	Uranium	7,581
Operating, administrative, and interest expense	111,277	Transportation	5,610
		Petroleum and petroleum products	5,241
Columbium-tantalum	98,877	Machine tools (elephant)	4,989
Molybdenum	94,664	Lead-zinc-copper	4,523
Mica	63,582	Coal and coke	2,227
Linseed oil	62,640	Asbestos, chrysotile	2,146
Steel	48,659	Kenaf seed and fiber	1,728
Mercury	48,030	Graphite	900
Chrome	40,787	Mineral development	382
Other expansion programs	32,250	Rare earths	315
Zinc	30,485	Machine tools (marine turbine and gears)	25
Bauxite	25,650		

PROBABLE ULTIMATE NET COST OF GROSS TRANSACTIONS CONSUMMATED

Program	Amount	Program	Amount
	Thousands		*Thousands*
Total	$949,493	Rubber	(7,182)
		Uranium	6,767
Tungsten	217,558	Castor beans	5,789
Nickel	114,948	Tin	5,158
Operating, administrative, and interest expense	111,277	Lead-zinc-copper	4,523
		Other expansion programs	4,439
Titanium	110,122	Fluorspar	3,978
Manganese	109,972	Lead	2,595
Columbium-tantalum	52,553	Mercury	2,030
Linseed oil	43,686	Cryolite	1,786
Mica	33,222	Kenaf seed and fiber	1,388
Copper	20,722	Machine tools (elephant)	1,352
Chrome	20,452	Graphite	900
Magnesium	18,390	Asbestos, chrysotile	751
Aluminum	17,543	Molybdenum	583
Machine tools (pool order and lease)	10,788	Rare earths	315
American-Egyptian cotton	9,608	Bauxite	88
Lead-zinc	8,734	Machine tools (marine turbine and gears)	25
Cobalt	7,437		
Zinc	7,191	Mineral development	5

TABLE 5A.—*Status of gross transactions by agency and program, as of Mar. 31, 1958*

[Thousands of dollars]

Agency, program, and type of assistance	Gross transactions					
	Total certified	Consummated				Balance not consummated
		Total		Completed	Outstanding	
		Amount	Percent			
Total	$8,296,905	$7,758,275	100.00	$6,089,544	$1,668,731	$538,630
Agency:						
General Services Administration	7,769,145	7,231,534	93.21	5,803,634	1,427,900	537,611
Department of Treasury	340,729	339,851	4.38	137,520	202,331	878
Department of Agriculture	107,259	107,259	1.38	107,017	242	0
Export-Import Bank	43,979	43,838	.57	10,728	33,110	141
Department of the Interior	35,793	35,793	.46	30,645	5,148	0
Program:						
Aircraft and aircraft parts	15,744	15,744	.20	14,598	1,146	0
Aluminum	1,555,079	1,551,111	19.99	1,282,964	268,147	3,968
American-Egyptian cotton	16,338	16,338	.21	16,380	(42)	0
Asbestos, chrysotile	2,147	2,146	.03	2,146	0	1
Bauxite	25,650	25,650	.33	18,143	7,507	0
Castor beans	22,098	22,098	.28	21,814	284	0
Chrome	40,827	40,787	.53	27,094	13,693	40
Coal and coke	2,227	2,227	.03	1,950	277	0
Cobalt	133,482	130,612	1.68	15,556	115,056	2,870
Columbium-tantalum	99,473	98,877	1.27	92,250	6,627	596
Copper	827,301	788,016	10.15	486,865	301,151	39,285
Copper and cobalt	22,400	22,400	.29	4,322	18,078	0
Cryolite	15,541	15,538	.20	15,538	0	3
Dolomite	20,000	20,000	.26	20,000	0	0
Electric, electronics, X-rays, etc	14,777	14,777	.19	14,419	358	0
Fluorspar	16,142	15,966	.21	15,941	25	176
Graphite	900	900	.01	900	0	0
Kenaf seed and fiber	1,728	1,728	.02	1,728	0	0
Lead	21,057	21,057	.27	13,255	7,802	0
Lead-zinc	8,734	8,734	.11	7,497	1,237	0
Lead-zinc-copper	4,523	4,523	.06	3,559	964	0
Linseed oil	62,640	62,640	.81	62,640	0	0
Machinery and components	17,407	17,407	.22	15,023	2,384	0
Machine tools (pool order and lease)	1,285,744	1,285,595	16.57	1,285,025	570	149
Machine tools (elephant)	7,500	4,989	.06	4,979	10	2,511
Machine tools (marine turbine and gears)	50,000	25	.00	0	25	49,975
M-day machine-tool pool	256,000	0	.00	0	0	256,000
Magnesium	129,480	129,480	1.67	129,480	0	0
Manganese	485,233	482,406	6.22	170,093	312,313	2,827
Mercury	56,150	48,030	.62	36,919	11,111	8,120
Mica	124,223	63,582	.85	26,089	37,493	60,641
Mineral development	382	382	.01	382	0	0
Molybdenum	155,006	94,664	1.22	94,455	209	60,342
Nickel	837,024	784,327	10.11	326,253	458,074	52,697
Petroleum and petroleum products	5,241	5,241	.07	5,067	174	0
Rare earths	315	315	.00	273	42	0
Rehabilitation loans	18,670	18,670	.24	1,141	17,529	0
Rubber	882,704	882,671	11.37	882,671	0	33
Steel	48,659	48,659	.63	3,010	45,649	0
Tin	222,434	221,553	2.85	221,533	20	881
Titanium	218,096	227,944	2.94	198,092	29,852	(9,848)
Transportation	5,610	5,610	.07	2,383	3,227	0
Tungsten	373,197	373,263	4.81	372,854	409	(66)
Uranium	7,581	7,581	.10	6,217	1,364	0
Zinc	30,485	30,485	.39	30,298	187	0
Other expansion programs	32,392	32,250	.42	27,244	5,006	142
Operating, administrative, and interest expenses	118,564	111,277	1.43	110,504	773	7,287
Type of assistance:						
Purchases	----------	6,859,053	88.41	5,465,241	1,393,812	----------
Government-owned-plant transactions	----------	283,207	3.65	257,656	25,551	----------
Loans	----------	383,689	4.95	148,248	235,441	----------
Exploration grants	----------	35,793	.46	30,645	5,148	----------
Industrial installations	----------	37,169	.48	36,564	605	----------
Other	----------	159,364	2.05	151,190	8,174	----------

TABLE 5B.—*Status of probable ultimate net cost of gross transactions, as of Mar. 31, 1958*

[Thousands of dollars]

Agency, program, and type of assistance	Probable ultimate net cost of gross transactions					
	Total certified	Consummated				Balance not consummated
		Total		Completed	Outstanding	
		Amount	Percent			
Total	$1,019,273	$949,493	100.00	$781,061	$168,432	$69,780
Agency:						
General Service Administration	917,678	848,776	89.39	687,105	161,671	68,902
Department of Treasury	1,600	722	.08	722	0	878
Department of Agriculture	64,202	64,202	6.76	62,589	1,613	0
Export-Import Bank	0	0	.00	0	0	0
Department of Interior	35,793	35,793	3.77	30,645	5,148	0
Program:						
Aircraft and aircraft parts	0	0	.00	0	0	0
Aluminum	17,734	17,543	1.85	17,543	0	191
American-Egyptian cotton	9,608	9,608	1.01	8,393	1,215	0
Asbestos, Chrysotile	752	751	.08	751	0	1
Bauxite	95	88	.01	88	0	7
Castor beans	5,789	5,789	.61	5,391	398	0
Chrome	21,724	20,452	2.16	13,101	7,351	1,272
Coal and coke	0	0	.00	0	0	0
Cobalt	8,036	7,437	.78	1,648	5,789	599
Columbium-tantalum	52,928	52,553	5.54	48,866	3,687	375
Copper	943	20,722	2.18	3,990	16,732	(19,779)
Copper and cobalt	0	0	.00	0	0	0
Cryolite	1,786	1,786	.19	1,786	0	0
Dolomite	0	0	.00	0	0	0
Electric, electronics, X-ray, etc.	0	0	.00	0	0	0
Fluorspar	4,211	3,978	.42	3,953	25	233
Graphite	900	900	.09	900	0	0
Kenaf seed and fiber	1,388	1,388	.15	1,388	0	0
Lead	2,596	2,595	.27	591	2,004	1
Lead-zinc	8,734	8,734	.92	7,497	1,237	0
Lead-zinc-copper	4,523	4,523	.48	3,559	964	0
Linseed oil	43,686	43,686	4.60	43,686	0	0
Machinery and components	0	0	.00	0	0	0
Machine tools (pool order and lease)	13,900	10,788	1.14	10,788	0	3,112
Machine tools (elephant)	3,000	1,352	.14	1,348	4	1,648
Machine tools (marine turbine and gears)	50,000	25	.00	0	25	49,975
M-day machine-tool pool	3,000	0	.00	0	0	3,000
Magnesium	18,390	18,390	1.94	18,390	0	0
Manganese	111,213	109,972	11.58	89,660	20,312	1,241
Mercury	2,030	2,030	.21	1,600	430	0
Mica	40,487	33,222	3.50	17,852	15,370	7,265
Mineral development	319	5	.00	5	0	314
Molybdenum	4,530	583	.06	374	209	3,947
Nickel	125,556	114,948	12.11	50,944	64,004	10,608
Petroleum and petroleum products	0	0	.00	0	0	0
Rare earths	315	315	.03	273	42	0
Rehabilitation loans	0	0	.00	0	0	0
Rubber	(7,149)	(7,182)	(.76)	(7,182)	0	33
Steel	0	0	.00	0	0	0
Tin	6,039	5,158	.54	5,138	20	881
Titanium	107,664	110,122	11.60	84,738	25,384	(2,458)
Transportation	0	0	.00	0	0	0
Tungsten	217,584	217,558	22.91	217,149	409	26
Uranium	6,767	6,767	.71	5,403	1,364	0
Zinc	7,191	7,191	.76	7,191	0	0
Other expansion programs	4,440	4,439	.47	3,755	684	1
Operating administrative and interest expenses	118,564	111,277	11.72	110,504	773	7,287
Type of assistance:						
Purchases		745,297	78.49	586,761	158,536	
Government-owned-plant transactions		19,289	2.03	19,289	0	
Loans		722	.08	722	0	
Exploration grants		35,793	3.77	30,645	5,148	
Industrial installations		4,023	.42	3,994	29	
Other		144,369	15.21	139,650	4,719	

TABLE 7.—*Materials inventory* [1] *as of Mar. 31, 1958*

	Agency	Unit	Quantity	Cost [2]
Aluminum, metal	General Services Administration.	Short ton	429,770	$218,810,493
American-Egyptian cotton	Agriculture	Bale	451	225,749
Asbestos, chrysotile	General Services Administration.	Short ton	2,349	2,102,575
Bauxite, metallurgical	do	Long dry ton	823,461	10,929,149
Beryl ore	do	Short dry ton	1,243	620,822
Bismuth	do	Pound	22,901	52,362
Castor beans	Agriculture	do	863,595	130,572
Chromite, metallurgical	General Services Administration.	Long dry ton	528,390	21,558,944
Cobalt and cobalt-nickel alloy	do	Pound	4,967,857	11,003,265
Columbium-tantalum:				
Pentoxides	do	do	12,778,225	54,399,280
Potassium tantalum fluoride	do	do	39,109	663,533
Malayan tin slag	do	do	3,196,892	1,496,692
Rare earths' residue	do	do	1,723,452	50,713
Thorium	do	do	330,297	2,503
Copper	do	Short ton	58,274	32,329,824
Cryolite	do	Short dry ton	38,968	10,760,467
Fluorspar, acid	do	do	18,581	1,394,453
Graphite, crystalline	do	do	533	177,545
Lead	do	Short ton	3,042	1,151,218
Manganese, metallurgical:				
Contained units	do	Long ton	44,498,227	78,673,849
Recoverable units	do	do	18,739,323	32,359,449
Manganese:				
Electrolytic	do	do	4,704	2,951,428
Synthetic dioxide	do	Long dry ton	2,042	1,557,756
Mercury	do	Flask	7,094	1,596,112
Mica, foreign and domestic:				
Graded	do	Pound	1,793,612	11,693,308
Ungraded	do	do	39,717	2,938
Nickel	do	do	63,393,784	51,718,090
Palladium	do	Troy ounce	7,884	177,312
Tin	do	Long ton	537	1,037,651
Titanium	do	Short ton	21,527	152,585,496
Tungsten	do	Pound, W	79,958,734	325,411,731

SUMMARY OF COST BY AGENCY

Department of Agriculture	$356,321
General Services Administration	1,027,268,958
Total	1,027,625,279

[1] Material acquired under the Defense Production Act and still held in inventory as of Mar. 31, 1958.

[2] Cost:

General Services Administration cost represents acquisition cost plus direct charges (duty, bank charges, ocean freight, transportation to 1st storage point and beneficiation costs), but excludes storage, administrative expenses, and interest charges.

Agriculture cost represents acquisition cost plus storage and handling charges through Mar. 31, 1958, but excludes administrative expense and interest charges.